



Financial Statements
June 30, 2023

Victor Valley Union High School District

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Independent Auditor's Report

To the Governing Board
Victor Valley Union High School District
Victorville, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Victor Valley Union High School District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Victor Valley Union High School District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. There was no impact on the beginning net position or fund balance with respect to this matter. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's net OPEB liability and related ratios, schedule of the District's contributions for OPEB, schedule of OPEB investment returns, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability - CalSTRS, schedule of the District's proportionate share of the net pension liability - CalPERS, schedule of the District's contributions - CalSTRS, and schedule of the District's contributions - CalPERS, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
February 1, 2024



VICTOR VALLEY UNION HIGH SCHOOL DISTRICT

BUSINESS SERVICES DIVISION
16350 Mojave Drive, Victorville, CA 92395-3655
(760) 955-3201 ext. 10211

Shawntee Milton, Assistant Superintendent

This section of Victor Valley Union High School District's (the District) (2022-2023) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023, with comparative information for the year ending June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets (including capital assets, right-to-use leased assets, and right-to-use subscription IT assets) and deferred outflows of resources of the District, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statements in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Victor Valley Union High School District.

BOARD OF TRUSTEES

Jose Berrios ♦ Kent Crosby ♦ Barbara Dew ♦ Penny Edmiston ♦ Rosalio Hinojos

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of seventh through twelfth grade students, adult education students, and the on-going effort to expand, improve, and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, such as funds for employee retiree benefits and funds to account for the activity of Community Facility Districts. The District's fiduciary activities are reported in the *Fiduciary Funds - Statement of Net Position* and *Fiduciary Funds – Statement of Changes in Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$131,580,623 for the fiscal year ended June 30, 2023. Of this amount, \$(80,322,581) was unrestricted (deficit). Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2023	2022
Assets		
Current and other assets	\$ 167,930,103	\$ 146,316,862
Capital assets, right-to-use leased assets, and right-to-use subscription IT assets	287,043,064	281,333,036
Total assets	454,973,167	427,649,898
Deferred Outflows Of Resources	50,754,243	34,715,491
Liabilities		
Current liabilities	36,256,369	56,478,573
Long-term liabilities other than OPEB and pensions	163,157,112	170,159,092
Other postemployment benefits (OPEB) liability	21,831,792	20,745,662
Aggregate net pension liability	120,241,347	71,876,682
Total liabilities	341,486,620	319,260,009
Deferred Inflows Of Resources	32,660,167	74,746,462
Net Position		
Net investment in capital assets	149,920,764	140,921,772
Restricted	61,982,440	38,138,266
Unrestricted (deficit)	(80,322,581)	(110,701,120)
Total net position	\$ 131,580,623	\$ 68,358,918

The \$(80,322,581) in unrestricted (deficit) net position represents the accumulated results of all past years' operations. Unrestricted (deficit) net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The unrestricted (deficit) net position decreased by 27.4% (\$80,388,350 deficit compared to \$110,701,120 deficit in the prior year).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2023	2022
Revenues		
Program revenues		
Charges for services and sales	\$ 1,139,911	\$ 2,380,350
Operating grants and contributions	86,722,038	33,723,159
Capital grants and contributions	165,073	-
General revenues		
Federal and State aid not restricted	151,905,993	123,282,003
Property taxes	35,133,878	29,204,454
Other general revenues	2,153,377	(604,936)
Total revenues	<u>277,220,270</u>	<u>187,985,030</u>
Expenses		
Instruction	128,234,799	117,147,527
Pupil services	27,162,332	21,583,670
Administration	14,400,714	13,015,378
Plant services	21,988,847	17,614,234
All other services	22,211,873	23,086,568
Total expenses	<u>213,998,565</u>	<u>192,447,377</u>
Change in net position	<u>\$ 63,221,705</u>	<u>\$ (4,462,347)</u>

Governmental Activities

As reported in the Statement of Activities on page 16, the cost of all of our governmental activities this year was \$213,998,565. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$35,133,878. The remaining cost was paid by those who benefited from the programs, \$1,139,911, or by other governments and organizations who subsidized certain programs with \$86,887,111 in grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$154,059,370 in Federal and State funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's largest functions: instruction-related, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Instruction	\$ 128,234,799	\$ 117,147,527	\$ (66,017,652)	\$ (95,982,844)
Pupil services	27,162,332	21,583,670	(13,927,255)	(13,539,850)
Administration	14,400,714	13,015,378	(10,897,018)	(10,256,147)
Plant services	21,988,847	17,614,234	(16,315,233)	(17,107,814)
All other services	22,211,873	23,086,568	(18,814,385)	(19,457,213)
Total	<u>\$ 213,998,565</u>	<u>\$ 192,447,377</u>	<u>\$ (125,971,543)</u>	<u>\$ (156,343,868)</u>

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$132,703,063 which is an increase of \$41,838,433 or 46.0%, from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	July 01, 2022	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2023
General Fund	\$ 52,552,588	\$ 260,425,667	\$ 221,248,731	\$ 91,729,524
Student Activity Fund	1,163,417	2,039,281	1,898,610	1,304,088
Adult Education Fund	189,667	504,100	547,252	146,515
Cafeteria Fund	1,061,302	7,373,105	6,697,157	1,737,250
Building Fund	434,921	8,344	55,965	387,300
Capital Facilities Fund	7,277,136	954,909	36,504	8,195,541
County School Facilities Fund	5,184,300	165,073	-	5,349,373
Special Reserve Fund for Capital Outlay Projects	13,674,449	3,070,942	3,284,495	13,460,896
Capital Project Fund for Blended Component Units	3,210	92	-	3,302
Bond Interest and Redemption Fund	9,243,708	9,599,723	8,539,393	10,304,038
Debt Service Fund	79,932	1,593,129	1,587,825	85,236
Total	<u>\$ 90,864,630</u>	<u>\$ 285,734,365</u>	<u>\$ 243,895,932</u>	<u>\$ 132,703,063</u>

General Fund Budgetary Highlights

Over the course of the year, the District revises its Budget as it attempts to manage changes in revenues and expenditures. These changes primarily occur due to the posting of carryover funding, State and grant allocation changes and increases or savings in expenditures that occur after the Budget was adopted. The final amendment to the budget was adopted on June 29, 2023. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our audit report on page 70.)

CAPITAL ASSETS, RIGHT-TO-USE LEASED ASSETS, RIGHT-TO-USE SUBSCRIPTION IT ASSETS, AND LONG-TERM LIABILITIES

Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

At June 30, 2023, the District had \$287,043,064 in a broad range of capital assets, right-to-use leased assets, and right-to-use subscription IT assets (net of depreciation and amortization). This amount represents a net increase (including additions, deductions, depreciation, and amortization) of \$5,710,028 or 2.0%, from last year (Table 5).

Table 5

	Governmental Activities	
	2023	2022
Land and construction in progress	\$ 12,783,318	\$ 14,907,983
Land improvements and buildings and improvements	260,838,750	259,132,706
Furniture and equipment	11,873,483	7,169,478
Right-to-use leased assets	1,150,766	122,869
Right-to-use subscription IT assets	396,747	-
Total	\$ 287,043,064	\$ 281,333,036

We present more detailed information about our capital assets, right-to-use leased assets, and right-to-use subscription IT assets in the notes to the financial statements.

Long-Term Liabilities other than Other Postemployment Benefits (OPEB) and Pensions

At the end of this year, the District had \$163,157,112 in long-term liabilities other than OPEB and pension outstanding versus \$170,159,092 last year, a decrease of \$7,001,980, or 4.1%. These long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2023	2022
Long-Term Liabilities		
General obligation bonds	\$ 132,665,277	\$ 135,040,083
Unamortized premiums on bonds	7,664,951	8,340,574
Certificates of participation	17,600,000	18,720,000
Unamortized discounts on certificates	(215,894)	(234,139)
Finance purchase agreement	1,244,561	1,528,083
Leases	1,161,328	125,347
Subscription-based IT arrangements	65,769	-
Supplemental early retirement plan	-	3,813,609
Compensated absences	2,971,120	2,825,535
	<u>\$ 163,157,112</u>	<u>\$ 170,159,092</u>
Total		

We present more detailed information about our long-term liabilities in the notes to the financial statements.

OPEB and Pensions

The District had a net other postemployment benefit (OPEB) liability of \$21,831,792 and \$20,745,662 at June 30, 2023 and 2022, respectively, an increase of \$1,086,130, or 5.2%.

In addition, the District had an aggregate net pension liability of \$120,241,347 and \$71,876,682 at June 30, 2023 and 2022, respectively, an increase of \$48,364,665, or 67.3%.

We present more detailed information about OPEB and Pensions in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2023-2024 year, the governing board and management used the following criteria:

Enrollment/ADA

Enrollment for Victor Valley Union High School District (VVUHSD) is growing. For the 2023-2024 school year we are projecting about a 1% growth in enrollment and ADA. For the two subsequent school years we expect to see that trend continue.

Revenue Assumptions

1. Local Control Funding Formula (LCFF) is budgeted to increase to \$168.4 million:
 - a) Cost of Living Adjustment (COLA) of 8.22%.
 - b) A three-year rolling average unduplicated pupil percentage of 82.04%, which is the count of pupils who are English Learner students, Free or Reduced-Price Meal students, and/or Foster Youth.
 - c) Local property taxes net of In-Lieu of \$20.8 million.

Total COVID-19 One-time Funding awarded to the District since March 2020 was \$144.1 million. As of the 2023-2024 1st Interim Reporting period, we have \$46.3 million of unencumbered one-time funds remaining. We will see this funding expended over the next several years with the final grants ending June 30, 2028.

Expenditure Assumptions

1. The District implemented reduced class sizes in the 2023-2024 school year. Due to this and increased enrollment, we added 10 new teacher FTEs.
2. Step and column salary increases have been provided for all applicable contract positions. In addition, due to recent pension reform, the District has increased its contribution to CalPERS and temporarily decreased its contribution to CalSTRS due to a onetime State contribution to CalSTRS.
3. Books and supplies and operating expenditures are increased by the Consumer Price Index (CPI) of 2.58% in 2023-2024 and 2.2% in 2024-2025.
4. All Federal, State, and Local categorical grant programs are budgeted with revenues equaling expenditures at 100% of the final 2022-2023 allocation. Entitlement programs are budgeted for expenditures equaling the sum of current year.

The key assumptions in our revenue forecast are the following:

1. Local Control Funding Formula income may be adjusted based the Department of Finance estimates and new legislation.
2. Federal and State income are computed using the prior year amounts adjusted to reflect anticipated changes in enrollment data for the respective qualifying populations.
3. There was no projected ADA increase for the LCFF Revenue Calculator. Enrollment/Average Daily Attendance (ADA) is expected to increase again in 2022 - 2023 however, the District will maintain a conservative estimate until the increase in enrollment is realized.
4. The District's contribution to the CalSTRS and CalPERS retirement systems will continue to rise.

The 2022-2023 First Interim Report Multi-Year Projections indicate that the District should be able to meet its financial obligations for the current and two subsequent years. Unfunded liabilities in the form of retirement and post-employment health benefits remain a pressure on the budget, but the District is confident that measures will be implemented in the coming years to address these long-term obligations. The Board of Trustees approved a Positive Certification of the First Interim Report on December 15, 2022.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at Victor Valley Union High School District, 16350 Mojave Drive, Victorville, California 92395, (760) 955-3201, or e-mail at smilton@vvusd.org.

Victor Valley Union High School District

Statement of Net Position

June 30, 2023

	Governmental Activities
Assets	
Deposits and investments	\$ 141,509,883
Receivables	25,869,460
Prepaid expenses	134,207
Stores inventories	256,766
Lease receivable	159,787
Capital assets not depreciated	12,783,318
Capital assets, net of accumulated depreciation	272,712,233
Right-to-use leased assets, net of accumulated amortization	1,150,766
Right-to-use subscription IT assets, net of accumulated amortization	396,747
Total assets	454,973,167
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	6,224,202
Deferred outflows of resources related to pensions	44,530,041
Total deferred outflows of resources	50,754,243
Liabilities	
Accounts payable	26,794,404
Accrued interest payable	1,181,981
Unearned revenue	8,279,984
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	6,599,557
Long-term liabilities other than OPEB and pensions due in more than one year	156,557,555
Other postemployment benefits (OPEB) liability	21,831,792
Aggregate net pension liability	120,241,347
Total liabilities	341,486,620
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	17,464,136
Deferred inflows of resources related to pensions	15,043,379
Deferred inflows of resources related to leases	152,652
Total deferred inflows of resources	32,660,167
Net Position	
Net investment in capital assets	149,920,764
Restricted for	
Debt service	9,207,293
Capital projects	13,544,914
Educational programs	36,272,837
Other activities	2,957,396
Unrestricted (deficit)	(80,322,581)
Total net position	\$ 131,580,623

Victor Valley Union High School District

Statement of Activities Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions		Governmental Activities
Governmental Activities					
Instruction	\$ 111,588,375	\$ -	\$ 57,703,324	\$ 165,073	\$ (53,719,978)
Instruction-related activities					
Supervision of instruction	4,301,864	-	2,748,593	-	(1,553,271)
Instructional library, media, and technology	1,162,293	-	401,221	-	(761,072)
School site administration	11,182,267	-	1,198,936	-	(9,983,331)
Pupil services					
Home-to-school transportation	7,127,455	-	121,458	-	(7,005,997)
Food services	6,354,149	287,361	8,377,284	-	2,310,496
All other pupil services	13,680,728	20,349	4,428,625	-	(9,231,754)
Administration					
Data processing	3,757,423	-	733,185	-	(3,024,238)
All other administration	10,643,291	13,175	2,757,336	-	(7,872,780)
Plant services	21,988,847	93,814	5,579,800	-	(16,315,233)
Ancillary services	5,300,881	-	2,134,041	-	(3,166,840)
Interest on long-term liabilities	6,407,669	-	-	-	(6,407,669)
Other outgo	1,625,490	725,212	538,235	-	(362,043)
Depreciation (unallocated)	8,877,833	-	-	-	(8,877,833)
Total governmental activities	<u>\$ 213,998,565</u>	<u>\$ 1,139,911</u>	<u>\$ 86,722,038</u>	<u>\$ 165,073</u>	<u>(125,971,543)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					21,661,134
Property taxes, levied for debt service					9,447,714
Taxes levied for other specific purposes					4,025,030
Federal and State aid not restricted to specific purposes					151,905,993
Interest, investment earnings, and change in fair market valuations					1,178,386
Interagency revenues					20,214
Miscellaneous					954,777
Subtotal, general revenues and subventions					<u>189,193,248</u>
Change in Net Position					63,221,705
Net Position - Beginning					<u>68,358,918</u>
Net Position - Ending					<u>\$ 131,580,623</u>

Victor Valley Union High School District

Balance Sheet – Governmental Funds

June 30, 2023

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 100,883,926	\$ 18,719,265	\$ 21,906,692	\$ 141,509,883
Receivables	24,707,403	126,600	1,035,457	25,869,460
Due from other funds	505,869	-	5,107,302	5,613,171
Prepaid expenditures	134,207	-	-	134,207
Stores inventories	118,726	-	138,040	256,766
Lease receivable	159,787	-	-	159,787
Total assets	\$ 126,509,918	\$ 18,845,865	\$ 28,187,491	\$ 173,543,274
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 26,263,180	\$ 362,245	\$ 168,979	\$ 26,794,404
Due to other funds	84,578	5,022,724	505,869	5,613,171
Unearned revenue	8,279,984	-	-	8,279,984
Total liabilities	34,627,742	5,384,969	674,848	40,687,559
Deferred Inflows of Resources				
Deferred inflows of resources related to leases	152,652	-	-	152,652
Fund Balances				
Nonspendable	327,933	-	139,090	467,023
Restricted	36,272,837	-	27,282,186	63,555,023
Assigned	5,994,559	13,460,896	91,367	19,546,822
Unassigned	49,134,195	-	-	49,134,195
Total fund balances	91,729,524	13,460,896	27,512,643	132,703,063
Total liabilities, deferred inflows of resources, and fund balances	\$ 126,509,918	\$ 18,845,865	\$ 28,187,491	\$ 173,543,274

Victor Valley Union High School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds \$ 132,703,063

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 417,091,261	
Accumulated depreciation is	(131,595,710)	

Net capital assets		285,495,551
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Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of right-to-use leased assets is	1,257,497	
Accumulated amortization is	(106,731)	

Net right-to-use leased assets		1,150,766
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Right-to-use subscription IT assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of right-to-use subscription IT assets is	625,221	
Accumulated amortization is	(228,474)	

Net right-to-use subscription IT assets		396,747
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In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.

(1,181,981)

Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to

Other postemployment benefits (OPEB) liability	6,224,202	
Aggregate net pension liability	44,530,041	

Total deferred outflows of resources		50,754,243
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Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to

OPEB liability	(17,464,136)	
Aggregate net pension liability	(15,043,379)	

Total deferred inflows of resources		(32,507,515)
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Victor Valley Union High School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (120,241,347)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(21,831,792)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds	\$ (109,992,187)	
Unamortized premium on bonds	(7,664,951)	
Certificates of participation	(17,600,000)	
Unamortized discount on certificates	215,894	
Leases	(1,161,328)	
Subscription-based IT arrangements	(65,769)	
Finance purchase agreements	(1,244,561)	
Compensated absences (vacations)	(2,971,120)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(22,673,090)</u>	
Total long-term liabilities		<u>(163,157,112)</u>
Total net position - governmental activities		<u>\$ 131,580,623</u>

Victor Valley Union High School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 168,177,468	\$ -	\$ -	\$ 168,177,468
Federal sources	40,592,542	-	4,961,434	45,553,976
Other State sources	42,362,949	-	2,594,964	44,957,913
Other local sources	7,923,695	70,942	13,093,533	21,088,170
Total revenues	259,056,654	70,942	20,649,931	279,777,527
Expenditures				
Current				
Instruction	124,335,532	-	226,664	124,562,196
Instruction-related activities				
Supervision of instruction	4,441,135	-	7,397	4,448,532
Instructional library, media, and technology	1,235,941	-	-	1,235,941
School site administration	12,916,330	-	135,379	13,051,709
Pupil services				
Home-to-school transportation	9,443,009	-	-	9,443,009
Food services	91,295	-	6,494,915	6,586,210
All other pupil services	14,442,429	-	152,389	14,594,818
Administration				
Data processing	4,035,739	-	-	4,035,739
All other administration	10,735,116	-	262,419	10,997,535
Plant services	24,416,504	47,791	1,750	24,466,045
Ancillary services	3,627,551	-	1,898,610	5,526,161
Other outgo	1,625,490	-	-	1,625,490
Facility acquisition and construction	6,289,631	1,648,879	55,965	7,994,475
Debt service				
Principal	550,785	-	5,060,000	5,610,785
Interest and other	62,244	-	5,067,218	5,129,462
Total expenditures	218,248,731	1,696,670	19,362,706	239,308,107
Excess (Deficiency) of Revenues Over Expenditures	40,807,923	(1,625,728)	1,287,225	40,469,420
Other Financing Sources (Uses)				
Transfers in	-	3,000,000	1,587,825	4,587,825
Other sources - proceeds from leases	1,254,094	-	-	1,254,094
Other sources - proceeds from SBITAs	114,919	-	-	114,919
Transfers out	(3,000,000)	(1,587,825)	-	(4,587,825)
Net Financing Sources (Uses)	(1,630,987)	1,412,175	1,587,825	1,369,013
Net Change in Fund Balances	39,176,936	(213,553)	2,875,050	41,838,433
Fund Balance - Beginning	52,552,588	13,674,449	24,637,593	90,864,630
Fund Balance - Ending	\$ 91,729,524	\$ 13,460,896	\$ 27,512,643	\$ 132,703,063

Victor Valley Union High School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds \$ 41,838,433

Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because

Capital outlay to purchase or build capital assets is reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense and amortization in the Statement of Activities. This is the amount by which capital outlay exceeds depreciation and amortization expense in the period.

Capital outlay	\$ 15,042,532
Depreciation and amortization expense	<u>(9,332,504)</u>

Net expense adjustment 5,710,028

Right-to-use leased assets acquired this year were financed with leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.

(1,254,094)

Right-to-use subscription IT assets acquired this year were financed with subscription-based IT arrangements (SBITAs). The amount financed by the SBITAs is reported in the governmental funds as a source of financing. On the other hand, the SBITAs are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.

(114,919)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid were more than the amounts earned by \$3,813,609. Vacation earned was more than the amounts used by \$145,585.

3,668,024

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and aggregate net pension liability during the year.

6,785,135

Victor Valley Union High School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2023

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.

\$ 2,256,520

Governmental funds report the effect of premiums, discounts, and the deferred charge on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium amortization	675,623
Discount amortization	(18,245)
Deferred charge on refunding amortization	(385,906)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	3,940,000
Certificates of participation	1,120,000
Finance purchase agreement	283,522
Leases	218,113
Subscription-based IT arrangements	49,150

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is a result of two factors. First, accrued interest on the long-term liabilities decreased by \$15,515. Second, \$1,565,194 of additional accumulated interest accreted on the District's general obligation bonds.

(1,549,679)

Change in net position of governmental activities

\$ 63,221,705

Victor Valley Union High School District
Statement of Net Position – Fiduciary Funds
June 30, 2023

	Retiree Benefits Trust	Custodial Funds
	<u> </u>	<u> </u>
Assets		
Deposits and investments	\$ 8,226,184	\$ 1,680,919
	<u> </u>	<u> </u>
Net Position		
Restricted for postemployment benefits other than pensions	\$ 8,226,184	\$ -
Restricted for individuals, organizations, and other governments	<u>-</u>	<u>1,680,919</u>
Total net position	<u>\$ 8,226,184</u>	<u>\$ 1,680,919</u>

Victor Valley Union High School District
Statement Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2023

	Retiree Benefits Trust	Custodial Funds
	<u>Trust</u>	<u>Funds</u>
Additions		
Contributions		
Taxes	\$ -	\$ 538,019
Employer contributions	2,898,830	-
Investment income	323,781	-
Interest and change in fair market valuation	152,194	21,717
	<u>3,374,805</u>	<u>559,736</u>
Total contributions		
	<u>3,374,805</u>	<u>559,736</u>
Deductions		
Administrative expense	66,627	-
Payments to investors	-	381,013
	<u>66,627</u>	<u>381,013</u>
Total deductions		
	<u>66,627</u>	<u>381,013</u>
Net Change In Fiduciary Net Position	3,308,178	178,723
Net Position - Beginning	4,918,006	1,502,196
	<u>4,918,006</u>	<u>1,502,196</u>
Net Position - Ending	<u>\$ 8,226,184</u>	<u>\$ 1,680,919</u>

Note 1 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The Victor Valley Union High School District (the District) was organized in 1915 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades 7 - 12 as mandated by the State and/or Federal agencies. The District operates three junior high schools, three comprehensive high schools, a continuation high school, and alternative educational programs.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Victor Valley Union High School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units* and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Victor Valley Union High School District Public Financing Corporation's financial activity is presented in the financial statements as the Capital Project Fund for Blended Component Units and the Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for Victor Valley Union High School District Public Financing Corporation.

Other Related Entities

Charter School The District has approved Options for Youth – Victor Valley Charter School (Charter No. 0013) pursuant to *Education Code* Section 47605. The Charter Schools is not operated by the District, and their financial activities are not presented in the District's financial statements. The Charter School is operated by a separate governing board and is not considered a component unit of the District. The Charter School receives State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as an extension of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$5,994,559.

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (Education Code Section 42840).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.
- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51), authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).
- **Capital Project Fund for Blended Component Units** The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term liabilities.

- **Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

- **Debt Service Fund** The Debt Service Fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term liabilities.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Trust funds are used to account for resources held by the District under a trust agreement for individuals, private organizations, or other governments. The District's trust fund is the retiree benefit trust fund, which was established for the purpose of accounting for benefits payments and contribution related to the District's other postemployment benefits (OPEB) plan. Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District's reporting entity. The District's custodial funds account for the activity of the Community Facilities Districts No. 2003-1 and 2007-1 (the CFDs).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, of the District, and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for amortization of leased assets and subscription-based IT assets. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net position use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenues and other financing sources) and

uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the County investment pool are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds when consumed rather than when purchased.

Capital Assets, Depreciation, and Amortization

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 15 to 20 years; equipment, 5 to 20 years; and vehicles, 8 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract or useful life of the underlying asset.

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the Statement of Net Position.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as liabilities of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, leases, certificates of participation, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Premiums and Discounts

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities. Debt premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred inflows of resources related to leases, for pension related items, and for OPEB related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when

due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Leases

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of the lease term, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term or useful life of the underlying asset.

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Subscriptions

The District recognizes a subscription liability and an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. At the commencement of the subscription term, the District measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over shorter of the subscription term or useful life of the underlying asset. The amortization period varies from two to four years.

Fund Balances - Governmental Funds

As of June 30, 2023, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$61,982,440 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Bernardino bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles**Implementation of GASB Statement No. 96**

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. There was no impact on beginning net position with respect to this matter. The additional disclosures required by this standard are included in Notes 5 and 10.

Note 2 - Deposits and Investments**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 141,509,883
Fiduciary funds	<u>9,907,103</u>
Total deposits and investments	<u><u>\$ 151,416,986</u></u>

Deposits and investments as of June 30, 2023, consist of the following:

Cash on hand and in banks	\$ 1,223,191
Cash in revolving	76,050
Investments	<u>150,117,745</u>
Total deposits and investments	<u><u>\$ 151,416,986</u></u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the San Bernardino County Treasury Investment Pool and purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Reported Amount	Weighted Average Maturity in Days
First American Government Obligation Fund, Class - D	\$ 981,309	20
U.S. Bank Money Market	707,375	1
Investments with Benefit Trust - Mutual Funds	8,226,184	N/A
San Bernardino County Treasury Investment Pool	140,202,877	539
Total	<u>\$ 150,117,745</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the *California Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

The investment in the San Bernardino County Treasury Investment Pool has been rated AAA by Fitch ratings. The investment in First American Government Obligations Fund Class D has been rated Aaa-mf by Moody's Investor Service as of June 30, 2023. The U.S. Bank Money Market and the Investments with Benefit Trust – Mutual Funds are not rated.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool or mutual funds and are therefore exempt.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental

unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District's bank balance of \$988,580 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2023:

Investment Type	Reported Amount	Fair Value Measurements Using	
		Level 1 Inputs	Level 2 Inputs
First American Government Obligation Fund, Class - D	\$ 981,309	\$ -	\$ 981,309
U.S. Bank Money Market	707,375	-	707,375
Investments with Benefit Trust - Mutual Funds	8,226,184	8,226,184	-
Total	9,914,868	\$ 8,226,184	\$ 1,688,684
Investments not measured at fair value or subject to the fair value hierarchy			
San Bernardino County Treasury Investment Pool	140,202,877		
Total Investments	\$ 150,117,745		

Note 4 - Receivables

Receivables at June 30, 2023, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 18,018,029	\$ -	\$ 545,177	\$ 18,563,206
State Government				
Categorical aid	5,366,495	-	402,663	5,769,158
Lottery	633,104	-	-	633,104
Local Government				
Interest	645,570	126,600	83,564	855,734
Other local sources	44,205	-	4,053	48,258
Total	<u>\$ 24,707,403</u>	<u>\$ 126,600</u>	<u>\$ 1,035,457</u>	<u>\$ 25,869,460</u>

Note 5 - Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

Capital assets, right-to-use leased assets, and right-to-use subscription IT assets activity for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 10,687,177	\$ -	\$ -	\$ 10,687,177
Construction in progress	4,220,806	684,405	(2,809,070)	2,096,141
Total capital assets not being depreciated	14,907,983	684,405	(2,809,070)	12,783,318
Capital assets being depreciated				
Land improvements	24,801,220	9,394,068	-	34,195,288
Buildings and improvements	338,701,836	-	-	338,701,836
Furniture and equipment	25,517,005	5,893,814	-	31,410,819
Total capital assets being depreciated	389,020,061	15,287,882	-	404,307,943
Total capital assets	403,928,044	15,972,287	(2,809,070)	417,091,261
Accumulated depreciation				
Land improvements	(13,687,422)	(844,469)	-	(14,531,891)
Buildings and improvements	(90,682,928)	(6,843,555)	-	(97,526,483)
Furniture and equipment	(18,347,527)	(1,189,809)	-	(19,537,336)
Total accumulated depreciation	(122,717,877)	(8,877,833)	-	(131,595,710)
Net depreciable capital assets	266,302,184	6,410,049	-	272,712,233
Right-to-use leased assets being amortized				
Furniture and equipment	368,317	1,254,094	(364,914)	1,257,497
Accumulated amortization				
Furniture and equipment	(245,448)	(226,197)	364,914	(106,731)
Net right-to-use leased assets	122,869	1,027,897	-	1,150,766
Right-to-use subscription IT assets being amortized				
Right-to-use subscription IT assets	-	625,221	-	625,221
Accumulated amortization	-	(228,474)	-	(228,474)
Net right-to-use subscription IT assets	-	396,747	-	396,747
Governmental activities capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	\$ 281,333,036	\$ 8,519,098	\$ (2,809,070)	\$ 287,043,064

Depreciation expense was not allocated to a governmental function. Amortization expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 141,358
Supervision of instruction	47,684
School site administration	225,354
Data processing	40,275
Unallocated	<u>8,877,833</u>
 Total depreciation and amortization expense governmental activities	 <u>\$ 9,332,504</u>

Note 6 - Lease Receivables

The District has entered into a lease agreement with a lessee. The lease receivable is summarized below:

<u>Lease Receivable</u>	<u>July 1, 2022</u>	<u>Addition</u>	<u>Deletion</u>	<u>June 30, 2023</u>
Cell Tower	<u>\$ 174,072</u>	<u>\$ -</u>	<u>\$ (14,285)</u>	<u>\$ 159,787</u>

Cellular Tower Antenna Sites

The District licenses (leases) a portion of its facilities for a cellular tower antenna site. This license is non-cancelable for a period of five years, with five renewal periods of five years each. The District believes the licensee will exercise the renewal option with reasonable certainty. The agreement allows for 15.00% increases to the license payments at each renewal period. At termination, the lessee must remove all equipment and restore the site to its original state. During the fiscal year, the District recognized \$14,285 in lease revenue and \$6,703 in interest revenue related to this agreement. At June 30, 2023, the District recorded \$159,787 in lease receivable and \$152,652 in deferred inflows of resources for this arrangement. The District used an interest rate of 4.00%, based on the rates available to finance real estate or machinery and equipment over the same time periods.

Note 7 - Interfund Transactions**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2023, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 505,869	\$ 505,869
Non-Major Governmental Funds	84,578	5,022,724	-	5,107,302
Total	<u>\$ 84,578</u>	<u>\$ 5,022,724</u>	<u>\$ 505,869</u>	<u>\$ 5,613,171</u>

A balance of \$84,578 is due from the the General Fund to the Cafeteria Non-Major Governmental Fund for reimbursement of eligible expenditures.

A balance was \$64,385 is due from the Adult Education Non-Major Governmental Fund to the General Fund for payroll, benefits, and other operating expenditures.

A balance of \$420,095 is due from the Cafeteria Non-Major Governmental Fund to the General Fund for payroll, benefits, and other operating expenditures.

A balance of \$21,389 is due from the Capital Facilities Non-Major Governmental Fund to the General Fund for reimbursement of expenditures.

A balance of \$5,022,724 is due from the Special Reserve Fund for Capital Outlay Projects to the County School Facilities Non-Major Governmental Fund for reimbursement of eligible expenditures.

Operating Transfers

Interfund transfers for the year ended June 30, 2023, consisted of the following:

The General Fund transferred \$3,000,000 to the Special Reserve Fund for Capital Outlay Projects for redevelopment funds geared for facility usage.	\$ 3,000,000
The Special Reseve Fund for Capital Outlay Projects transferred to the Debt Service Non-Major Governmental Fund for the certificate of participation payment.	<u>1,587,825</u>
Total	<u>\$ 4,587,825</u>

Note 8 - Accounts Payable

Accounts payable at June 30, 2023, consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	\$ 11,459,817	\$ -	\$ 32,058	\$ 11,491,875
LCFF apportionment	1,478,822	-	-	1,478,822
Due to CDE	3,154,580	-	-	3,154,580
Other vendor payables	10,169,961	362,245	136,921	10,669,127
Total	<u>\$ 26,263,180</u>	<u>\$ 362,245</u>	<u>\$ 168,979</u>	<u>\$ 26,794,404</u>

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2023, consisted of the following:

	General Fund
Federal financial assistance	\$ 3,273,281
State categorical aid	<u>5,006,703</u>
Total	<u>\$ 8,279,984</u>

Note 10 - Long-Term Liabilities Other than OPEB and Pensions**Summary**

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 135,040,083	\$ 1,565,194	\$ (3,940,000)	\$ 132,665,277	\$ 4,840,000
Unamortized premium on bonds	8,340,574	-	(675,623)	7,664,951	-
Certificates of participation	18,720,000	-	(1,120,000)	17,600,000	1,160,000
Unamortized discount on certificates	(234,139)	-	18,245	(215,894)	-
Finance purchase agreement	1,528,083	-	(283,522)	1,244,561	302,228
Leases	125,347	1,254,094	(218,113)	1,161,328	231,560
Subscription-based IT arrangements	-	114,919	(49,150)	65,769	65,769
Supplemental early retirement plan	3,813,609	-	(3,813,609)	-	-
Compensated absences	2,825,535	145,585	-	2,971,120	-
Total	<u>\$ 170,159,092</u>	<u>\$ 3,079,792</u>	<u>\$ (10,081,772)</u>	<u>\$ 163,157,112</u>	<u>\$ 6,599,557</u>

Payments made on the general obligation bonds are made from the Bond Interest and Redemption Fund with local revenues. Payments for the certificates of participation are made from the Debt Service Fund. Payments for the finance purchase agreement, leases, subscription-based IT arrangements, and the supplemental early retirement plan are made by the General Fund. The compensated absences will be paid by the General Fund, Adult Education Fund, and the Cafeteria Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2022	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2023
10/7/2009	8/1/2028	1.75-5.77%	\$ 69,999,600	\$ 44,733,461	\$ 1,359,149	\$ (2,685,000)	\$ 43,407,610
2/26/2013	8/1/2035	1.35-5.90%	36,839,953	1,741,622	206,045	-	1,947,667
5/3/2016	8/1/2034	2.00-5.00%	41,530,000	39,350,000	-	(330,000)	39,020,000
8/10/2016	8/1/2037	2.00-4.00%	52,140,000	49,215,000	-	(925,000)	48,290,000
				<u>\$ 135,040,083</u>	<u>\$ 1,565,194</u>	<u>\$ (3,940,000)</u>	<u>\$ 132,665,277</u>

General Obligation Bonds, Series 2009

On October 7, 2009, the District issued \$69,999,600 of the General Obligation Bonds, Series 2009 consisting of \$37,545,000 in current interest bonds, \$13,206,759 term bonds, and \$19,247,841 in capital appreciation bonds. The Series A have a final maturity to occur on August 1, 2028. Interest rates on the bonds range from of 1.75% to 5.77%. Proceeds from the sale of the bonds were to be used to upgrade classrooms, replace portables, and construct new vocational/career tech classrooms and build a new high school in Adelanto. At June 30, 2023, the principal balance outstanding of the General Obligation Bonds, Series 2009 was \$43,407,610.

General Obligation Bonds, Series B

On February 26, 2013, the District issued \$36,839,953 General Obligation Bonds, Series B consisting of capital appreciation bonds. The bonds have a final maturity to occur on August 1, 2035. Interest rates on the bonds range from of 1.35% to 5.90%. Proceeds from the sale of the bonds were to be used to affect the prepayment of the Bond Anticipation Notes (issued in 2010 and obligation satisfied in 2013), whose proceeds were applied for the purposes of financing acquisition, construction, and modernization of certain District property and school facilities.

On August 10, 2016, the District issued General Obligation Refunding Bonds, 2016 Series B, to refund \$44,297,353 of the District's General Obligation Bonds, 2008 Election, Series B. At June 30, 2023, the principal balance outstanding of the General Obligation Bonds, Series B was \$1,947,667.

General Obligation Refunding Bonds, 2016 Series A

On May 3, 2016, the District issued \$41,530,000 of the General Obligation Refunding Bonds, 2016 Series A. The bonds have a final maturity to occur on August 1, 2034. Interest rates on the bonds range from 2.00% to 5.00%. The bonds were issued to refund certain maturities of the District's General Obligation Bonds, Series 2009 and to pay for the costs of issuance of the bonds. At June 30, 2023, the principal balance outstanding of the General Obligation Refunding Bonds, 2016 Series A was \$39,020,000.

General Obligation Refunding Bonds, 2016 Series B

On August 10, 2016, the District issued \$52,140,000 General Obligation Refunding Bonds, 2016 Series B. The bonds have a final maturity to occur on August 1, 2037. Interest rates on the bonds range from 2.00% to 4.00%. The bonds were issued to advance refund certain maturities of the District's General Obligation Bonds, Series B, with the prepayment to occur August 1, 2023, and to pay for the costs of issuance of the bonds. At June 30, 2023, the principal balance outstanding of the General Obligation Refunding Bonds, 2016 Series B was \$48,290,000.

Debt Service Requirements to Maturity

The bonds mature through 2038, as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Accreted Interest</u>	<u>Current Interest</u>	<u>Total</u>
2024	\$ 4,761,185	\$ 78,815	\$ 4,534,894	\$ 9,374,894
2025	5,268,415	116,585	4,417,919	9,802,919
2026	5,700,311	534,689	4,296,369	10,531,369
2027	6,075,808	894,192	4,214,519	11,184,519
2028	6,313,582	1,381,418	4,138,969	11,833,969
2029-2033	44,268,309	3,151,691	16,302,694	63,722,694
2034-2038	60,277,667	5,932,333	5,845,422	72,055,422
Total	<u>\$ 132,665,277</u>	<u>\$ 12,089,723</u>	<u>\$ 43,750,786</u>	<u>\$ 188,505,786</u>

Certificates of Participation

On April 28, 2016, the District issued the \$23,890,000 Certificates of Participation pursuant to a lease agreement with the Victor Valley Union High School District Financing Corporation. The proceeds of the certificates were used to finance the costs of certain facilities of the District. Interest rates on the certificates range from 2.00% to 3.00%. The certificates have a final maturity to occur in November 2035. At June 30, 2023, the principal balance outstanding was \$17,600,000.

The certificates mature through 2036, as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,160,000	\$ 445,025	\$ 1,605,025
2025	1,200,000	421,425	1,621,425
2026	1,240,000	397,025	1,637,025
2027	1,280,000	371,025	1,651,025
2028	1,325,000	341,691	1,666,691
2029-2033	7,410,000	1,149,909	8,559,909
2034-2036	3,985,000	147,075	4,132,075
Total	<u>\$ 17,600,000</u>	<u>\$ 3,273,175</u>	<u>\$ 20,873,175</u>

Finance Purchase Agreement

On May 12, 2015, the District entered into an equipment finance purchase agreement for the acquisition of certain equipment for the Energy Conservation Measures. The terms of the agreement are semi-annual payments with a stated interest rate of 3.03% for a period of 12 years. The District's liability on the equipment finance purchase agreement is summarized below:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 302,228	\$ 35,481	\$ 337,709
2025	324,071	26,168	350,239
2026	348,816	16,170	364,986
2027	269,446	5,401	274,847
Total	<u>\$ 1,244,561</u>	<u>\$ 83,220</u>	<u>\$ 1,327,781</u>

Leases

The District has entered into agreements to lease various equipment. As of June 30, 2023, the District recognized a right-to-use asset, net of amortization, of \$1,150,766 and a lease liability of \$1,161,328 related to these agreements. The District is required to make principal and interest payments through February 2028. The lease agreements have interest rate of 4.00%.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 231,560	\$ 42,241	\$ 273,801
2025	240,994	32,806	273,800
2026	250,813	22,987	273,800
2027	261,031	12,770	273,801
2028	176,930	2,639	179,569
Total	<u>\$ 1,161,328</u>	<u>\$ 113,443</u>	<u>\$ 1,274,771</u>

Subscriptions-Based Information Technology Arrangements (SBITAs)

The District has entered into SBITAs for the use of various software. At June 30, 2023, the District has recognized a right-to-use subscriptions IT asset of \$396,747 and a SBITA liability of \$65,769 related to these agreements. During the fiscal year, the District recorded \$228,474 in amortization expense. The District is required to make annual principal and interest payments through January 2024. The subscriptions have an interest rate of 4.00%.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	<u>\$ 65,769</u>	<u>\$ 2,631</u>	<u>\$ 68,400</u>

Supplemental Early Retirement Plan (SERP)

In 2020-2021 fiscal year, the District adopted the supplemental early retirement plan whereby certain certificated and classified employees are eligible. The criteria for qualification are as follows: Must be a certificated or classified employee of the district, have to be at least 55 years of age with 10 years of continuous service with the district, must be actively employed by the District on March 1, 2021, and must retire from the District on or before June 30, 2021 or June 30, 2022. The liability has been fully paid as of June 30, 2023.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2023, amounted to \$2,971,120.

Note 11 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2023, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 21,376,355	\$ 6,224,202	\$ 17,464,136	\$ 2,024,417
Medicare Premium Payment (MPP) Program	<u>455,437</u>	<u>-</u>	<u>-</u>	<u>(69,789)</u>
Total	<u>\$ 21,831,792</u>	<u>\$ 6,224,202</u>	<u>\$ 17,464,136</u>	<u>\$ 1,954,628</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the Plan is vested in the District management. Management of the trustee assets is vested with the Benefit Trust Company.

Plan Membership

At June 30, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	88
Active employees	<u>1,180</u>
Total	<u><u>1,268</u></u>

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the Victor Valley Teachers Association (VVTa), the local California Service Employees Association (CSEA), and unrepresented groups. Voluntary contributions are based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, VVTa, CSEA, and the unrepresented groups are based on availability of funds. For the measurement period of June 30, 2023, the District contributed \$4,211,048 to the Plan, of which \$1,312,218 was used for current premiums and \$2,898,830 was used to fund the OPEB Trust.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>
All Fixed Income	55%
Real Estate Investment Trusts	4%
All Domestic Equities	22%
All International Equities	19%

Concentration

The investment policy of the Plan contains no limitations on the amount that can be invested in any one issuer. As of June 30, 2023, investments in mutual funds represents 100% of the total investment.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 5.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Receivable

There are no receivables for long-term contracts with the District for contributions required to be disclosed under paragraph 34c of GASB Statement No. 74.

Allocated Insurance Contracts

There are no allocated insurance contracts excluded from OPEB plan assets required to be disclosed under paragraph 34d of GASB Statement No. 74.

Reserves

There are no reserves required to be reported under paragraph 34e of GASB Statement No. 74.

Net OPEB Liability of the District

The District's net OPEB liability of \$21,376,355 was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The components of the net OPEB liability of the District at June 30, 2023, were as follows:

Total OPEB liability	\$ 29,602,539
Plan fiduciary net position	<u>(8,226,184)</u>
Net OPEB liability	<u>\$ 21,376,355</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>27.79%</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Discount rate	5.75%
Investment rate of return	5.75%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00% for 2023

The discount rate was based on the Fidelity 20 Years General Obligation Municipal Index.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actual experience study for the period July 1, 2022 to June 30, 2023.

The long-term expected rate of return on OPEB plan investments of 5.75% for the Futuris Trust was provided by Morgan Stanley and the Benefits Trust Company, using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Mutual Fund - Fixed income	4.25%
Mutual Fund - Real estate	7.25%
Mutual Fund - Domestic equity	7.25%
Mutual Fund - International equity	7.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75% as of the valuation date for the unfunded portion and the long-term rate of return 5.75% for the funded portion, based on the results of a cross-over test performed as of the valuation date. The cross-over test assumed the District would make no further contributions to the trust.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2022	\$ 25,138,442	\$ 4,918,006	\$ 20,220,436
Service cost	1,374,842	-	1,374,842
Interest	1,447,261	475,975	971,286
Contributions - employer	-	4,211,048	(4,211,048)
Difference between expected and actual experience	3,219,081	-	3,219,081
Changes of assumptions	(264,869)	-	(264,869)
Benefit payments	(1,312,218)	(1,312,218)	-
Administrative expense	-	(66,627)	66,627
Net change in total OPEB liability	4,464,097	3,308,178	1,155,919
Balance, June 30, 2023	\$ 29,602,539	\$ 8,226,184	\$ 21,376,355

There were no changes of assumptions from the prior valuation.

Sensitivity of the Net OPEB Liability to Changes in the Investment Rate of Return

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using an investment rate of return that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (4.75%)	\$ 23,563,901
Current rate of return (5.75%)	21,376,355
1% increase (6.75%)	19,344,670

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current rates:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3.00%)	\$ 18,397,449
Current healthcare cost trend rate (4.00%)	21,376,355
1% increase (5.00%)	24,855,731

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of \$2,024,417. At June 30, 2023, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,544,912	\$ 3,421,208
Changes of assumptions	1,851,701	13,953,617
Net difference between projected and actual earnings on OPEB plan investments	827,589	89,311
Total	<u>\$ 6,224,202</u>	<u>\$ 17,464,136</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ (491,384)
2025	(402,442)
2026	(563,650)
2027	(1,536,132)
2028	(1,513,880)
Thereafter	(6,732,446)
Total	<u>\$ (11,239,934)</u>

Medicare Premium Payment (MPP) Program**Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2023, the District reported a liability of \$455,437 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.1383%, and 0.1317%, resulting in a net increase in the proportionate share of 0.0066%.

For the year ended June 30, 2023, the District recognized OPEB expense of (\$69,789).

Actuarial Methods and Assumptions

The June 30, 2022 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Measurement Date	June 30, 2022	June 30, 2021
Valuation Date	June 30, 2021	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.54%	2.16%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2021, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population (145,282).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2022, is 3.54%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.54%)	\$ 496,514
Current discount rate (3.54%)	455,437
1% increase (4.54%)	419,869

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 417,880
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	455,437
1% increase (5.50% Part A and 6.40% Part B)	498,009

Note 12 - Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, and the name of component unit, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders and may initiate foreclosure proceedings. Special assessment debt of \$4,920,000 as of June 30, 2023, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

Note 13 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 75,000	\$ -	\$ 1,050	\$ 76,050
Stores inventories	118,726	-	138,040	256,766
Prepaid expenditures	134,207	-	-	134,207
Total nonspendable	327,933	-	139,090	467,023
Restricted				
Legally restricted programs	36,272,837	-	1,278,044	37,550,881
Food service	-	-	1,679,352	1,679,352
Capital projects	-	-	13,935,516	13,935,516
Debt service	-	-	10,389,274	10,389,274
Total restricted	36,272,837	-	27,282,186	63,555,023
Assigned				
Deferred maintenance program	2,082,913	-	-	2,082,913
Capital projects	-	13,460,896	-	13,460,896
Adult education program	-	-	91,367	91,367
Other assignments	3,911,646	-	-	3,911,646
Total assigned	5,994,559	13,460,896	91,367	19,546,822
Unassigned				
Reserve for economic uncertainties	6,542,923	-	-	6,542,923
Remaining unassigned	42,591,272	-	-	42,591,272
Total unassigned	49,134,195	-	-	49,134,195
Total	\$ 91,729,524	\$ 13,460,896	\$ 27,512,643	\$ 132,703,063

Note 14 - Risk Management**Property and Liability**

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets, errors and omissions, injuries to employees, life, and health of employees and natural disasters. During fiscal year ending June 30, 2023, the District contracted with California Schools Risk Management (CSRM) Joint Powers Authority for property and liability insurance coverage. Settlement claims have not exceeded the limits of this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2023, the District participated in CSRM, an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the CSRM is limited to districts that can meet the JPA's selection criteria.

Employee Medical Benefits

The District has contracted with the Anthem Blue Cross, Blue Shield, and Kaiser Permanente to provide employee health benefits, and Delta Dental for dental benefits. Additional vision benefits are provided by Medical Eye Services and basic life insurance benefits are provided through Johnson Rooney Welch, Inc.

Note 15 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2023, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 64,012,581	\$ 23,519,526	\$ 12,933,969	\$ 6,992,992
CalPERS	56,228,766	21,010,515	2,109,410	6,927,782
Total	<u>\$ 120,241,347</u>	<u>\$ 44,530,041</u>	<u>\$ 15,043,379</u>	<u>\$ 13,920,774</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the District's total contributions were \$12,031,881.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 64,012,581
State's proportionate share of the net pension liability	32,057,251
	<u> </u>
Total	<u>\$ 96,069,832</u>

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.0921% and 0.0876%, resulting in a net increase in the proportionate share of 0.0045%.

For the year ended June 30, 2023, the District recognized pension expense of \$6,992,992. In addition, the District recognized pension expense and revenue of \$2,585,396 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$12,031,881	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	8,260,577	5,004,022
Differences between projected and actual earnings on pension plan investments	-	3,130,339
Differences between expected and actual experience in the measurement of the total pension liability	52,510	4,799,608
Changes of assumptions	3,174,558	-
	<u> </u>	<u> </u>
Total	<u>\$ 23,519,526</u>	<u>\$ 12,933,969</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2024	\$ (2,299,466)
2025	(2,491,082)
2026	(3,742,112)
2027	5,402,321
Total	<u>\$ (3,130,339)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$3,345,569
2025	286,137
2026	(504,579)
2027	(324,096)
2028	(1,281,650)
Thereafter	162,634
Total	<u>\$ 1,684,015</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	(0.4%)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 108,717,105
Current discount rate (7.10%)	64,012,581
1% increase (8.10%)	26,894,386

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) [and the Safety Risk Pool] under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2023, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.37%	25.37%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the total District contributions were \$8,674,028.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$56,228,766. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively was 0.1634% and 0.1574%, resulting in a net increase in the proportionate share of 0.0060%.

Victor Valley Union High School District

Notes to Financial Statements

June 30, 2023

For the year ended June 30, 2023, the District recognized pension expense of \$6,927,782. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$8,674,028	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,283,795	710,366
Differences between projected and actual earnings on pension plan investments	6,639,087	-
Differences between expected and actual experience in the measurement of the total pension liability	254,121	1,399,044
Changes of assumptions	4,159,484	-
Total	<u>\$ 21,010,515</u>	<u>\$ 2,109,410</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2024	\$1,107,189
2025	982,000
2026	501,617
2027	4,048,281
Total	<u>\$ 6,639,087</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$1,105,448
2025	1,230,385
2026	1,254,190
2027	(2,033)
Total	<u>\$ 3,587,990</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (5.90%)	\$ 81,225,299
Current discount rate (6.90%)	56,228,766
1% increase (7.90%)	35,570,049

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$5,142,653 (10.828% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*. These amounts have been recorded in these financial statements.

Note 16 - Commitments and Contingencies**Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023.

Note 17 - Participation in Public Entity Risk Pools

The District is a member of California Schools Risk Management joint powers authority (JPA). The District pays an annual premium to the entity for its workers' compensation and property and liability coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

The entity has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2023, the District made payments of \$2,116,229 and \$2,162,149 for its workers' compensation and property and liability coverage, respectively.



Required Supplementary Information
June 30, 2023

Victor Valley Union High School District

Victor Valley Union High School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$152,399,751	\$168,282,956	\$ 168,177,468	\$ (105,488)
Federal sources	54,184,444	40,273,820	40,592,542	318,722
Other State sources	14,539,219	39,410,819	42,362,949	2,952,130
Other local sources	5,145,522	7,744,595	7,923,695	179,100
Total revenues ¹	226,268,936	255,712,190	259,056,654	3,344,464
Expenditures				
Current				
Certificated salaries	63,988,822	71,931,124	71,931,111	13
Classified salaries	31,298,449	31,794,119	31,794,118	1
Employee benefits	58,881,674	59,990,103	59,990,100	3
Books and supplies	35,883,967	13,777,931	13,782,045	(4,114)
Services and operating expenditures	26,707,736	25,466,513	25,838,209	(371,696)
Other outgo	1,997,729	1,399,577	1,165,041	234,536
Capital outlay	8,221,200	10,385,148	13,135,078	(2,749,930)
Debt service				
Debt service - principal	412,182	284,596	550,785	(266,189)
Debt service - interest and other	60,289	64,223	62,244	1,979
Total expenditures ¹	227,452,048	215,093,334	218,248,731	(3,155,397)
Excess (Deficiency) of Revenues Over Expenditures	(1,183,112)	40,618,856	40,807,923	189,067
Other Financing Sources (Uses)				
Other sources - proceeds from leases	-	-	1,254,094	1,254,094
Other sources - proceeds from SBITAs	-	-	114,919	114,919
Transfers out	(3,000,000)	(3,000,000)	(3,000,000)	-
Net financing uses	(3,000,000)	(3,000,000)	(1,630,987)	1,369,013
Net Change in Fund Balances	(4,183,112)	37,618,856	39,176,936	1,558,080
Fund Balance - Beginning	52,552,588	52,552,588	52,552,588	-
Fund Balance - Ending	\$ 48,369,476	\$ 90,171,444	\$ 91,729,524	\$ 1,558,080

¹ Due to the consolidation of Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these funds are included in the Actual (GAAP Basis) revenues and expenditures; however, they are not included in the original and final General Fund budgets.

Victor Valley Union High School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2023

	2023	2022	2021
Total OPEB Liability			
Service cost	\$ 1,374,842	\$ 1,485,680	\$ 2,656,752
Interest	1,447,261	1,277,804	982,862
Difference between expected and actual experience	3,219,081	-	(4,479,317)
Changes of assumptions	(264,869)	(1,294,186)	(16,383,886)
Benefit payments	(1,312,218)	(1,384,435)	(2,139,989)
Net change in total OPEB liability	4,464,097	84,863	(19,363,578)
Total OPEB Liability - Beginning	25,138,442	25,053,579	44,417,157
Total OPEB Liability - Ending (a)	<u>\$ 29,602,539</u>	<u>\$ 25,138,442</u>	<u>\$ 25,053,579</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 4,211,048	\$ 4,283,265	\$ 5,038,819
Interest	475,975	(1,097,642)	91,000
Benefit payments	(1,312,218)	(1,384,435)	(2,139,989)
Administrative expense	(66,627)	(52,534)	(9,148)
Net change in plan fiduciary net position	3,308,178	1,748,654	2,980,682
Plan Fiduciary Net Position - Beginning	4,918,006	3,169,352	188,670
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,226,184</u>	<u>\$ 4,918,006</u>	<u>\$ 3,169,352</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 21,376,355</u>	<u>\$ 20,220,436</u>	<u>\$ 21,884,227</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	27.79%	19.56%	12.65%
Covered Payroll	\$ -	\$ -	\$ -
Net OPEB Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021

¹ The District's OPEB Plan is administered through a trust, however, contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Victor Valley Union High School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2023

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 2,579,371	\$ 1,861,111	\$ 1,889,914
Interest	871,633	1,421,601	1,294,096
Difference between expected and actual experience	1,281,652	98,699	5,364
Changes of assumptions	3,603,983	1,109,108	(796,535)
Benefit payments	(1,919,626)	(2,062,446)	(1,750,555)
Net change in total OPEB liability	6,417,013	2,428,073	642,284
Total OPEB Liability - Beginning	38,000,144	35,572,071	34,929,787
Total OPEB Liability - Ending (a)	<u>\$ 44,417,157</u>	<u>\$ 38,000,144</u>	<u>\$ 35,572,071</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,919,626	\$ 2,062,446	\$ 1,750,555
Interest	10,927	5,533	5,818
Benefit payments	(1,919,626)	(2,062,446)	(1,750,555)
Administrative expense	(4,373)	-	-
Net change in plan fiduciary net position	6,554	5,533	5,818
Plan Fiduciary Net Position - Beginning	182,116	176,583	170,765
Plan Fiduciary Net Position - Ending (b)	<u>\$ 188,670</u>	<u>\$ 182,116</u>	<u>\$ 176,583</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 44,228,487</u>	<u>\$ 37,818,028</u>	<u>\$ 35,395,488</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.42%	0.48%	0.50%
Covered Payroll	\$ -	\$ -	\$ -
Net OPEB Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

¹ The District's OPEB Plan is administered through a trust, however, contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Victor Valley Union High School District
Schedule of the District's Contributions for OPEB
Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially determined contribution	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contribution	<u>4,211,048</u>	<u>4,283,265</u>	<u>5,038,819</u>
Contribution deficiency (excess)	<u>\$ (4,211,048)</u>	<u>\$ (4,283,265)</u>	<u>\$ (5,038,819)</u>
Covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Contributions as a percentage of covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contribution	<u>1,919,626</u>	<u>2,062,446</u>	<u>1,750,555</u>
Contribution deficiency (excess)	<u>\$ (1,919,626)</u>	<u>\$ (2,062,446)</u>	<u>\$ (1,750,555)</u>
Covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Contributions as a percentage of covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>

¹ Contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Victor Valley Union High School District
Schedule of OPEB Investment Returns
Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Annual money-weighted rate of return, net of investment expense	<u>5.75%</u>	<u>5.75%</u>	<u>6.00%</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	<u>3.60%</u>	<u>3.10%</u>	<u>3.40%</u>

Note: In the future, as data becomes available, ten years of information will be presented.

Victor Valley Union High School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2023

Year ended June 30,	2023	2022	2021
Proportion of the net OPEB liability	0.1383%	0.1317%	0.1433%
Proportionate share of the net OPEB liability	\$ 455,437	\$ 525,226	\$ 698,377
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020
Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.1521%	0.1537%	0.1420%
Proportionate share of the net OPEB liability	\$ 566,505	\$ 588,400	\$ 598,106
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note : In the future, as data becomes available, ten years of information will be presented.

Victor Valley Union High School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS
Year Ended June 30, 2023

CalSTRS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.0921%	0.0876%	0.0946%	0.0860%	0.0856%
Proportionate share of the net pension liability	\$ 64,012,581	\$ 39,866,064	\$ 91,653,020	\$ 77,666,019	\$ 78,712,827
State's proportionate share of the net pension liability	32,057,251	20,059,057	47,247,143	42,371,998	45,066,775
Total	\$ 96,069,832	\$ 59,925,121	\$ 138,900,163	\$ 120,038,017	\$ 123,779,602
Covered payroll	\$ 54,830,538	\$ 50,146,588	\$ 50,466,140	\$ 47,140,037	\$ 45,259,349
Proportionate share of the net pension liability as a percentage covered payroll	116.75%	79.50%	181.61%	164.76%	173.92%
Plan fiduciary net position as a percentage of the total of its pension liability	81%	87%	72%	73%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
	2018	2017	2016	2015	
Proportion of the net pension liability	0.0785%	0.0751%	0.0751%	0.0617%	
Proportionate share of the net pension liability	\$ 72,621,378	\$ 60,742,122	\$ 50,535,245	\$ 36,048,496	
State's proportionate share of the net pension liability	42,962,194	34,579,406	26,727,574	21,767,639	
Total	\$ 115,583,572	\$ 95,321,528	\$ 77,262,819	\$ 57,816,135	
Covered payroll	\$ 41,451,479	\$ 37,593,588	\$ 34,706,588	34,710,030	
Proportionate share of the net pension liability as a percentage covered payroll	175.20%	161.58%	145.61%	103.86%	
Plan fiduciary net position as a percentage of the total of its pension liability	69%	70%	74%	77%	
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	

Note : In the future, as data becomes available, ten years of information will be presented.

Victor Valley Union High School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.1634%	0.1574%	0.1594%	0.1604%	0.1641%
Proportionate share of the net pension liability	\$ 56,228,766	\$ 32,010,618	\$ 48,921,336	\$ 46,758,081	\$ 43,763,626
Covered payroll	\$ 25,244,046	\$ 22,611,208	\$ 23,660,905	\$ 22,359,179	\$ 21,334,834
Proportionate share of the net pension liability as a percentage of its covered payroll	222.74%	141.57%	206.76%	209.12%	205.13%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		2018	2017	2016	2015
Proportion of the net pension liability		0.1523%	0.1470%	0.1407%	0.1237%
Proportionate share of the net pension liability		\$ 36,367,214	\$ 29,033,283	\$ 20,735,093	\$ 14,048,470
Covered payroll		\$ 19,457,424	\$ 17,561,383	\$ 15,590,757	15,590,781
Proportionate share of the net pension liability as a percentage of its covered payroll		186.91%	165.32%	133.00%	90.11%
Plan fiduciary net position as a percentage of the total pension liability		72%	74%	79%	83%
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note : In the future, as data becomes available, ten years of information will be presented.

Victor Valley Union High School District
Schedule of the District's Contributions - CalSTRS
Year Ended June 30, 2023

CalSTRS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 12,031,881	\$ 9,277,327	\$ 8,098,674	\$ 8,629,710	\$ 7,674,398
Less contributions in relation to the contractually required contribution	12,031,881	9,277,327	8,098,674	8,629,710	7,674,398
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 62,994,141	\$ 54,830,538	\$ 50,146,588	\$ 50,466,140	\$ 47,140,037
Contributions as a percentage of covered payroll	19.10%	16.92%	16.15%	17.10%	16.28%
		2018	2017	2016	2015
Contractually required contribution		\$ 6,530,924	\$ 5,214,596	\$ 4,033,792	\$ 3,081,945
Less contributions in relation to the contractually required contribution		6,530,924	5,214,596	4,033,792	3,081,945
Contribution deficiency (excess)		\$ -	\$ -	\$ -	\$ -
Covered payroll		\$ 45,259,349	\$ 41,451,479	\$ 37,593,588	\$ 34,706,588
Contributions as a percentage of covered payroll		14.43%	12.58%	10.73%	8.88%

Note : In the future, as data becomes available, ten years of information will be presented.

Victor Valley Union High School District
Schedule of the District's Contributions - CalPERS
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 8,674,028	\$ 5,783,411	\$ 4,680,520	\$ 4,666,167	\$ 4,038,515
Less contributions in relation to the contractually required contribution	8,674,028	5,783,411	4,680,520	4,666,167	4,038,515
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 34,190,099	\$ 25,244,046	\$ 22,611,208	\$ 23,660,905	\$ 22,359,179
Contributions as a percentage of covered payroll	25.370%	22.910%	20.700%	19.721%	18.062%
		2018	2017	2016	2015
Contractually required contribution		\$ 3,313,513	\$ 2,702,247	\$ 2,080,497	\$ 1,835,188
Less contributions in relation to the contractually required contribution		3,313,513	2,702,247	2,080,497	1,835,188
Contribution deficiency (excess)		\$ -	\$ -	\$ -	\$ -
Covered payroll		\$ 21,334,834	\$ 19,457,424	\$ 17,561,383	\$ 15,590,757
Contributions as a percentage of covered payroll		15.531%	13.888%	11.847%	11.771%

Note : In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

At June 30, 2023, the District's General Fund exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	<u>\$ 218,093,334</u>	<u>\$ 221,248,731</u>	<u>\$ 3,155,397</u>

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Change in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Change of Assumptions* – There were no changes in assumptions since the previous valuation.

Schedule of the District's Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.16% to 3.54% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS plan from the previous valuations. The CalPERS plan rate of investment return assumption was changed from 7.15% to 6.90% since the previous valuation.

Schedule of the District's Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information
June 30, 2023

Victor Valley Union High School District

Victor Valley Union High School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through CDE			
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	\$ 9,650,162
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	14,087,994
COVID-19: Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	395,536
COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	576,958
COVID-19: Expanded Learning Opportunities (ELO) Grant GEER II	84.425C	15619	39,621
COVID-19: American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	84.425W	15566	6,638
Subtotal			24,756,909
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	11,122,332
Title I, ESEA School Improvement Grant (CSI)	84.010	15438	209,817
Subtotal			11,332,149
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	453,526
Title II, Part A, Supporting Effective Instruction	84.367	14341	586,382
Title III, English Learner Student Program	84.365	14346	93,162
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	462,476
Passed through Desert/Mountain Special Education Local Plan Area			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,162,130
IDEA Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	10119	112,712
Total Special Education (IDEA) Cluster			2,274,842
Total U.S. Department of Education			39,959,446

Victor Valley Union High School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through CDE			
Child Nutrition Cluster			
Especially Needy Breakfast Program	10.553	13526	\$ 860,878
National School Lunch Program - Section 4	10.553	13523	812,839
National School Lunch Program - Section 11	10.555	13524	2,652,225
Commodities	10.555	13524	366,222
Subtotal Child Nutrition Cluster			4,692,164
CACFP Claims - Centers and Family Day Care Homes	10.558	13529	250,614
CCFP Cash in Lieu of Commodities	10.558	13534	18,656
Subtotal			269,270
Total U.S. Department of Agriculture			4,961,434
U.S. Department of Defense			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	69,605
Total U.S. Department of Defense			69,605
Total Federal Financial Assistance			\$ 44,990,485

[1] Pass-Through Entity Number not available.

ORGANIZATION

The Victor Valley Union High School District was established in 1915 and consists of an area comprising approximately 536 square miles. The District operates three junior high schools, three comprehensive high schools, a continuation high school, and alternative education programs. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Penny Edmiston	President	2024
Barbara Dew	Vice President	2024
Jose Berrios	Clerk	2024
Rosalio Hinojos	Member	2026
Kent Crosby	Member	2026

ADMINISTRATION

Carl Coles	Superintendent
Shawntée Milton	Assistant Superintendent, Business Services
Dr. Ratmony Yee	Assistant Superintendent, Educational Services
Michael Williford	Assistant Superintendent, Human Resources

Victor Valley Union High School District

Schedule of Average Daily Attendance

Year Ended June 30, 2023

	Final Report		As Adjusted per Audit	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA				
Seventh and eighth	2,492.80	2,436.77	2,451.02	2,391.14
Ninth through twelfth	7,874.98	7,822.71	7,768.15	7,714.08
Total Regular ADA	10,367.78	10,259.48	10,219.17	10,105.22
Special Education, Nonpublic, Nonsectarian Schools				
Seventh and eighth	3.80	4.42	3.80	4.42
Ninth through twelfth	13.26	14.20	13.26	14.20
Total Special Education, Nonpublic, Nonsectarian Schools	17.06	18.62	17.06	18.62
Extended Year Special Education, Nonpublic, Nonsectarian Schools				
Seventh and eighth	0.21	0.34	0.21	0.34
Ninth through twelfth	0.92	1.53	0.92	1.53
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.13	1.87	1.13	1.87
Total ADA	10,385.97	10,279.97	10,237.36	10,125.71

Victor Valley Union High School District

Schedule of Instructional Time

Year Ended June 30, 2023

Grade Level	1986-1987 Minutes Requirement	2022-2023 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Grades 4 - 8	54,000										
Grade 7		65,532	-	65,532	180	-	180	N/A	N/A	N/A	Complied
Grade 8		65,532	-	65,532	180	-	180	N/A	N/A	N/A	Complied
Grades 9 - 12	64,800										
Grade 9		65,532	-	65,532	180	-	180	N/A	N/A	N/A	Complied
Grade 10		65,532	-	65,532	180	-	180	N/A	N/A	N/A	Complied
Grade 11		65,532	-	65,532	180	-	180	N/A	N/A	N/A	Complied
Grade 12		65,532	-	65,532	180	-	180	N/A	N/A	N/A	Complied

Victor Valley Union High School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2023

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund	Cafeteria Fund
	<u> </u>	<u> </u>
Fund Balance		
Balance, June 30, 2023, Unaudited Actuals (Before GASB 54 Consolidation)	\$ 82,844,022	\$ 1,192,073
Increase in		
Receivables	3,273,814	545,177
Deferred outflows of resources	1,001,561	-
Decrease in		
Prepaid expenditures	(139,720)	-
Other current assets	(1,263,215)	-
Deferred inflows of resources related to leases	18,503	-
	<u> </u>	<u> </u>
Balance, June 30, 2023, Audited Financial Statements (Before GASB 54 Consolidation)	<u>\$ 85,734,965</u>	<u>\$ 1,737,250</u>

Victor Valley Union High School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2023

	(Budget) 2024 ¹	2023	2022 ¹	2021 ¹ as restated
General Fund ³				
Revenues	\$ 254,994,722	\$ 259,538,926	\$ 174,665,041	\$ 182,086,019
Expenditures	246,417,544	214,512,059	186,652,466	149,082,549
Other uses	3,000,000	4,625,490	4,854,580	6,011,588
Total expenditures and other uses	249,417,544	219,137,549	191,507,046	155,094,137
Increase/(Decrease) in Fund Balance	5,577,178	40,401,377	(16,842,005)	26,991,882
Ending Fund Balance	\$ 91,312,143	\$ 85,734,965	\$ 45,333,588	\$ 62,175,593
Available Reserves ²	\$ 62,037,606	\$ 49,134,195	\$ 33,028,720	\$ 49,226,791
Available Reserves as a Percentage of Total Outgo ⁴	24.87%	22.42%	17.25%	31.74%
Long-Term Liabilities including OPEB and Pensions	N/A	\$ 305,230,251	\$ 262,781,436	\$ 339,440,351
K-12 Average Daily Attendance at P-2	10,154	10,237	9,806	10,241

The General Fund balance has increased by \$23,559,372 over the past two years. The fiscal year 2023-2024 budget projects an increase of \$5,577,178 (6.5%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, and the District anticipates incurring an operating surplus during the 2023-2024 fiscal year. Total long-term liabilities have decreased by \$34,210,100 over the past two years.

Average daily attendance has decreased by four over the past two years. An additional decrease of 83 ADA is anticipated during fiscal year 2023-2024.

¹ Financial information for 2024, 2022, and 2021 are included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

³ General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund, and the Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

Victor Valley Union High School District
Schedule of Charter Schools
Year Ended June 30, 2023

<u>Name of Charter School</u>	<u>Charter Number</u>	<u>Included in Audit Report</u>
Options for Youth - Victor Valley Charter School	0013	No

Victor Valley Union High School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2023

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund
Assets					
Deposits and investments	\$ 1,223,946	\$ 108,914	\$ 1,273,368	\$ 403,070	\$ 8,186,898
Receivables	-	162,844	796,289	3,270	64,325
Due from other funds	-	-	84,578	-	-
Stores inventories	80,142	-	57,898	-	-
Total assets	<u>\$ 1,304,088</u>	<u>\$ 271,758</u>	<u>\$ 2,212,133</u>	<u>\$ 406,340</u>	<u>\$ 8,251,223</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 60,858	\$ 54,788	\$ 19,040	\$ 34,293
Due to other funds	-	64,385	420,095	-	21,389
Total liabilities	<u>-</u>	<u>125,243</u>	<u>474,883</u>	<u>19,040</u>	<u>55,682</u>
Fund Balances					
Nonspendable	81,192	-	57,898	-	-
Restricted	1,222,896	55,148	1,679,352	387,300	8,195,541
Assigned	-	91,367	-	-	-
Total fund balances	<u>1,304,088</u>	<u>146,515</u>	<u>1,737,250</u>	<u>387,300</u>	<u>8,195,541</u>
Total liabilities and fund balances	<u>\$ 1,304,088</u>	<u>\$ 271,758</u>	<u>\$ 2,212,133</u>	<u>\$ 406,340</u>	<u>\$ 8,251,223</u>

Victor Valley Union High School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2023

	County School Facilities Fund	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
Assets					
Deposits and investments	\$ 318,547	\$ 3,302	\$ 10,304,038	\$ 84,609	\$ 21,906,692
Receivables	8,102	-	-	627	1,035,457
Due from other funds	5,022,724	-	-	-	5,107,302
Stores inventories	-	-	-	-	138,040
Total assets	<u>\$ 5,349,373</u>	<u>\$ 3,302</u>	<u>\$ 10,304,038</u>	<u>\$ 85,236</u>	<u>\$ 28,187,491</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 168,979
Due to other funds	-	-	-	-	505,869
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>674,848</u>
Fund Balances					
Nonspendable	-	-	-	-	139,090
Restricted	5,349,373	3,302	10,304,038	85,236	27,282,186
Assigned	-	-	-	-	91,367
Total fund balances	<u>5,349,373</u>	<u>3,302</u>	<u>10,304,038</u>	<u>85,236</u>	<u>27,512,643</u>
Total liabilities and fund balances	<u>\$ 5,349,373</u>	<u>\$ 3,302</u>	<u>\$ 10,304,038</u>	<u>\$ 85,236</u>	<u>\$ 28,187,491</u>

Victor Valley Union High School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds Year Ended June 30, 2023

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund
Revenues					
Federal sources	\$ -	\$ -	\$ 4,961,434	\$ -	\$ -
Other State sources	-	495,844	2,025,235	-	-
Other local sources	2,039,281	8,256	386,436	8,344	954,909
Total revenues	2,039,281	504,100	7,373,105	8,344	954,909
Expenditures					
Current					
Instruction	-	226,664	-	-	-
Instruction-related activities					
Supervision of instruction	-	7,397	-	-	-
School site administration	-	135,379	-	-	-
Pupil services					
Food services	-	-	6,494,915	-	-
All other pupil services	-	152,389	-	-	-
Administration					
All other administration	-	25,423	200,492	-	36,504
Plant services	-	-	1,750	-	-
Ancillary services	1,898,610	-	-	-	-
Facility acquisition and construction	-	-	-	55,965	-
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
Total expenditures	1,898,610	547,252	6,697,157	55,965	36,504
Excess (Deficiency) of Revenues Over Expenditures	140,671	(43,152)	675,948	(47,621)	918,405
Other Financing Sources					
Transfers in	-	-	-	-	-
Net Change in Fund Balances	140,671	(43,152)	675,948	(47,621)	918,405
Fund Balance - Beginning	1,163,417	189,667	1,061,302	434,921	7,277,136
Fund Balance - Ending	\$ 1,304,088	\$ 146,515	\$ 1,737,250	\$ 387,300	\$ 8,195,541

Victor Valley Union High School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds Year Ended June 30, 2023

	County School Facilities Fund	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ 4,961,434
Other State sources	15,113	-	58,772	-	2,594,964
Other local sources	149,960	92	9,540,951	5,304	13,093,533
Total revenues	165,073	92	9,599,723	5,304	20,649,931
Expenditures					
Current					
Instruction	-	-	-	-	226,664
Instruction-related activities					
Supervision of instruction	-	-	-	-	7,397
School site administration	-	-	-	-	135,379
Pupil services					
Food services	-	-	-	-	6,494,915
All other pupil services	-	-	-	-	152,389
Administration					
All other administration	-	-	-	-	262,419
Plant services	-	-	-	-	1,750
Ancillary services	-	-	-	-	1,898,610
Facility acquisition and construction	-	-	-	-	55,965
Debt service					
Principal	-	-	3,940,000	1,120,000	5,060,000
Interest and other	-	-	4,599,393	467,825	5,067,218
Total expenditures	-	-	8,539,393	1,587,825	19,362,706
Excess (Deficiency) of Revenues Over Expenditures	165,073	92	1,060,330	(1,582,521)	1,287,225
Other Financing Sources					
Transfers in	-	-	-	1,587,825	1,587,825
Net Change in Fund Balances	165,073	92	1,060,330	5,304	2,875,050
Fund Balance - Beginning	5,184,300	3,210	9,243,708	79,932	24,637,593
Fund Balance - Ending	\$ 5,349,373	\$ 3,302	\$ 10,304,038	\$ 85,236	\$ 27,512,643

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Victor Valley Union High School District (the District) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position of the District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the District did not report any commodities inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of COVID-19: Supply Chain Assistance funds which have been recorded in the current period as revenues that have not been expended as of June 30, 2023. These unspent balances are reported as legally restricted ending balances within the General Fund.

	Federal Financial Assistance Listing Number	Amount
Total Federal Revenues reported on the financial statements		\$ 45,553,976
COVID-19: Supply Chain Assistance Funds	10.555	(563,491)
Total federal financial assistance		<u>\$ 44,990,485</u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District's audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

These schedules are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.



Independent Auditor's Reports
June 30, 2023

Victor Valley Union High School District



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Governing Board
Victor Valley Union High School District
Victorville, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Victor Valley Union High School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 1, 2024.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. There was no impact on the beginning net position and fund balance with respect to this matter. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, as items 2023-001 and 2023-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

We noted certain matters that we reported to management of the District in a separate letter dated February 1, 2024.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
February 1, 2024



**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Governing Board
Victor Valley Union High School District
Victorville, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Victor Valley Union High School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
February 1, 2024



Independent Auditor's Report on State Compliance

To the Governing Board
Victor Valley Union High School District
Victorville, California

Report on Compliance

Qualified and Unmodified Opinions on State Compliance

We have audited Victor Valley Union High School District's (the District) compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2023.

Qualified Opinion on Attendance and Independent Study

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023, except as described in the accompanying Schedule of Findings and Questioned Costs.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above. If the District has a qualified opinion, a consultation is required.

Matters Giving Rise to Qualified Opinion on Attendance and Independent Study

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Attendance and Independent Study (see finding 2023-003).

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.

- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	Yes, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No, see below
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	No, see below

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Charter Schools	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes – Classroom Based	No, see below
Charter School Facility Grant Program	No, see below
The District does not offer kindergarten instruction; therefore, we did not perform procedures related to Kindergarten Continuance.	
The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.	
We did not perform Juvenile Court Schools procedures because the program is not offered by the District.	
We did not perform Middle or Early College High Schools procedures because the program is not offered by the District.	
The District has only grades 7-12; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.	
We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.	
The District did not elect to operate as a school district of choice; therefore, we did not perform procedures related to District of Choice.	
We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.	
The District does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety Program.	
The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.	
The District was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.	
The District did not report ADA for transitional kindergarten; therefore, we did not perform procedures related to Transitional Kindergarten.	
The Charter School is independent of the District; therefore, we did not perform any procedures related to charter schools.	

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-004 and 2023-005.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-004 and 2023-005 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
February 1, 2024



Schedule of Findings and Questioned Costs
June 30, 2023

Victor Valley Union High School District

Victor Valley Union High School District

Summary of Auditor's Results

Year Ended June 30, 2023

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing Number</u>
Title I, Part A, Basic Grants Low-Income and Neglected	84.010
Title I, ESEA: School Improvement Grant (CSI)	84.010
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U
COVID-19: Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D
COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U
COVID-19: Expanded Learning Opportunities (ELO) Grant GEER II	84.425C
COVID-19: American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	84.425W
Dollar threshold used to distinguish between type A and type B programs	\$1,349,715
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for programs	Unmodified *

*Unmodified for all programs except for the following programs which were qualified

Name of Program

Attendance
Independent Study

The following findings represent material weaknesses related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code

AB 3627 Finding Type

30000

Internal Control

2023-001 30000 – Internal Control over Financial Reporting and Preparation of Financial Statements (Material Weakness)

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District's financial statements. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During the course of our engagement, we identified certain material misstatements of balances within the District's 2022-2023 unaudited actuals financial report. Through review of supporting records, we noted that the ending fund balance in the General Fund was understated as a result of understated receivables of \$3,273,814, understated deferred outflows of resources of \$1,001,561, overstatement of other current assets of \$1,263,215, and overstatement of deferred inflows of resources related to leases of \$18,503. We also noted that the ending fund balance in the Cafeteria Fund was understated as a result of understated receivables of \$545,177. Additionally, we noted that the cafeteria commodities of \$366,222 were not recorded and various revenues were misclassified within the Cafeteria Fund. Lastly, we noted that certain components of ending fund balances in the General Fund were misclassified. The identification of the material misstatements and reclassifications, as well as various passed adjustments indicates a material weakness in the preparation of the financial statements.

Questioned Costs

There were no questioned costs associated with this condition.

Context

The condition was identified through review of available District records related to the financial account balances in the Governmental Funds.

Effect

Due to the condition identified, the District's ending net position and governmental fund balances were understated by \$3,436,120. The net effect of these errors resulted in misstatements that were not detected or prevented by the District's internal accounting control and review process.

Cause

The cause of the condition identified appears to be due to inadequate internal control processes related to the preparation of the District's year-end financial statements, which includes the related conversion entries in preparation of the government-wide financial statements.

Repeat Finding

Yes (see prior year finding 2022-001).

Recommendation

The District should implement adequate internal controls over financial statement preparation. A thorough review of the District's financial statements, including all adjusting entries, reclassifying entries, and conversion entries should take place before the financial statements are finalized by the District's business department.

Corrective Action Plan and Views of Responsible Officials

The District implemented a reorganization of the Fiscal Services department in the current Fiscal Year (2023-2024) to help address the lack of adequate internal controls over the preparation of the financial statements. This reorganization created Fiscal Services Specialist positions that will provide additional support to the Director of Fiscal Services. We have created a year-end close checklist. Various year-end close duties will be assigned to Fiscal Services staff. Management including the Director of Fiscal Services and the Assistant Superintendent of Business Services will implement a formal review of year-end close activities to ensure accurate preparation of the financial statements.

In addition to the reorganization and creation of the year-end close checklist, the Board of Trustees has also authorized the District to enter into the consulting engagement that focused on the development and implementation of internal control procedures that ensure state and federal compliance as well as accurate preparation of our financial statements.

2023-002 30000 – Bank Reconciliations (Material Weakness)

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls related to bank reconciliations. Such controls should ensure that reconciliations are prepared and reviewed, by an individual independent of the reconciliation process, in a timely manner.

Condition

The District does not have procedures in place to ensure bank reconciliations are prepared and reviewed by an individual independent of the reconciliation process in a timely manner. Various bank accounts were not reconciled in a timely manner.

Questioned Costs

There were no questioned costs associated with this condition.

Context

The condition was identified through inquiry with District personnel and also through review of available District records related to the bank reconciliations.

Effect

While in the current year there does not appear to be any financial statement adjustments required due to lack of timely bank reconciliations, untimely reconciliations could result in potential misstatement of the financial statements or misappropriation of assets.

Cause

The cause of the condition identified appears to be due to inadequate internal control processes related to the preparation of the District's bank reconciliations.

Repeat Finding

No.

Recommendation

The District should enforce formalized procedures related to the timely reconciliation of the bank accounts. The procedures should require that an individual independent of the reconciliation process reviews the reconciliations. Upon reviewing the reconciliation, the reviewer should sign and date the reconciliation to indicate it was reviewed. The review process will help identify any errors that may have otherwise gone unidentified.

Corrective Action Plan and Views of Responsible Officials

To ensure compliance with Government Accounting Standards Board (GASB), the following Internal Control procedures have been established to maintain a strong internal control procedures to promote compliance, integrity, and accountability.

- **Segregation of Duties:** There will be clear segregation duties between individuals responsible for preparing all bank reconciliations and those responsible for reviewing and approving them. No one person should have the ability to both initiate and approve reconciliations.
- **Independent Reviewer:** The Director of Fiscal Services will review and approve all bank reconciliations by signing and dating each reconciliation to meet GASB requirements.
- **Timely Reconciliation Schedule:** The Director of Fiscal Services will develop and enforce a specific schedule for the completion of bank reconciliations. These deadlines will be aligned with the reporting requirements of GASB to ensure timely and accurate financial reporting.
- **Use of Reconciliation Software:** To streamline the process with bank reconciliations, there will be ongoing review of future tools that can flag discrepancies to aid the review process.
- **Monitoring and Reporting:** The District will continue to provide ongoing training for subordinates involved in bank reconciliations, emphasizing the importance of timely completion and adherence to GASB standards. All staff will be kept informed about any updates or changes in GASB requirements. If any reporting deadlines are at risk of being missed must notify management promptly.
- **Internal Audit and Compliance:** There will be periodic internal audits focusing on the bank reconciliation process to ensure compliance with GASB standards are maintained. If any area is identified for improvement during an internal audit, it will be discussed to update the Internal Control procedures.
- **Continuous Improvement:** It is the responsibility of management to establish a culture of continuous improvement, encouraging feedback from all involved in the reconciliation process. Our goal is to assess the effectiveness of our internal controls and make the necessary adjustments to establish clear communication channels to report issues, delays, and resolution process.
- **Risk Assessment:** The Director of Fiscal will perform a risk assessment to identify potential issues that could lead to delays in bank reconciliations and implement controls to mitigate these risks such as training additional staff.

These internal control procedures will be implemented immediately to create a structured framework that promotes timelines, accountability in the reconciliation process, and assessments ongoing to make any necessary adjustments as needed to accommodate changes in our operations to pertinent deadlines in our reporting requirements.

None reported.

The following findings represent significant deficiencies, a material weakness, and material instances of noncompliance that are required to be reported by the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
10000	Attendance
40000	State Compliance

2023-003 10000 and 40000 – Attendance and Independent Study (Material Weakness, Noncompliance)

Criteria or Specific Requirements

California *Education Code* Section 51749.6 states that a local education agency shall not be eligible to receive apportionment for independent study by pupils, unless it has provided each pupil with a written learning agreement that contains all the required elements identified in California *Education Code* Section 51749.6.

Condition

The District has implemented written learning agreements for each pupil enrolled in independent study; however, the written learning agreements for independent study were missing some of the required elements identified in California *Education Code* Section 51749.6.

Questioned Costs

Questioned costs associated with this condition resulted in a potential decrease of \$2,200,541 in Local Control Funding Formula. The estimated penalty was calculated using the CDE's Derived Value of ADA by Grade Span. However, there is no fiscal impact since the District was funded on the average ADA from the three prior years rather than the current year ADA.

Context

The condition was identified through a review of written learning agreements for short-term and long-term independent study pupils.

As a result, the District has overclaimed 148.61 and 154.26 ADA on its Second Period Report of Attendance and Annual Report of Attendance, respectively. The calculated penalty at P2 by grade span is as follows:

Grade Span	Unallowable ADA	Derived Value of ADA by Grade Span	Penalty
7-8	41.78	\$ 13,036	\$ 544,644
9-12	106.83	15,500	1,655,897
Total	148.61		\$ 2,200,541

Effect

It appears that the District failed to accurately update their written learning agreements to meet the requirements of California *Education Code* Section 51749.6

Cause

The condition has materialized due to lack of sufficient internal controls over compliance related to independent study requirements.

Repeat Finding

Yes (see prior year finding 2022-005).

Recommendation

The District should implement sufficient internal controls over compliance related to independent study requirements. The District should ensure that management obtains the training and information necessary to ensure that school sites are operated under the applicable sections of the California Education Code and appoint a responsible member or members of management to monitor independent study requirements.

Corrective Action Plan and Views of Responsible Officials

The following actions and internal controls have been implemented by our Education Services division to ensure compliance with independent study requirements.

Updated Master Agreements

During the interim audit visit in August 2023, the auditors determined that the District's Master Agreements lacked components required by state regulations. District personnel under the leadership of the Assistant Superintendent of Education Services worked with the auditors to properly edit the Master Agreements to bring them into compliance. All students were required to sign new Master Agreements at that time.

Central Storage

Goodwill Education Center has implemented a process to centrally store and file all Master Agreements to ensure easy access to meet audit requests.

Progress Monitoring

Education Services staff including the Director of Student Services and the Coordinator of CWA will review compliance items related to independent study on a regular and ongoing basis. Any changes will be implemented under the direction of the Assistant Superintendent of Education Services and shared with appropriate school site staff at monthly Education Services meetings.

2023-004 40000 – Comprehensive School Safety Plans (Significant Deficiency, Noncompliance)

Criteria or Specific Requirements

California *Education Code* Section 32286(a) requires each school site to annually review and update its comprehensive school safety plan by March 1. California *Education Code* Section 32288(a) requires each school site to forward its comprehensive school safety plan to the district office for approval annually.

Condition

In our review of comprehensive school safety plans, we noted that two schools did not review and update the comprehensive school safety plan by March 1 in accordance with California *Education Code* Section 32286(a). Additionally, we noted that there was not documentation to support that the plans were forwarded to the district office for approval in accordance with California *Education Code* Section 32288(a).

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified as a result of inquiry with the district's management and review of available documentation related to comprehensive school safety plans. In a sample of three school sites, one site was noted to have updated their plan after the March 1 deadline, one site was unable to provide documentation of the date that the plan was updated, and the District office was not able to provide documentation to show that plans were forwarded to the District for approval.

Effect

The District has not complied with requirements identified in California *Education Code* Sections 32286(a) and 32288(a).

Cause

The condition identified appears to have materialized primarily due to the lack of a monitoring process to ensure that all site plans are updated timely.

Repeat Finding


No.

Recommendation

The District should implement internal controls over compliance to ensure that they meet the requirements identified in California *Education Code* Sections 32286(a) and 32288(a) each year.

Corrective Action Plan and Views of Responsible Officials

The District has implemented the following timeline to ensure compliance with monitoring school safety and the Comprehensive School Safety Plans:

WHEN	WHAT	RESOURCES
July	<ul style="list-style-type: none"> School sites to receive the CDE and District checklists for the contents of the Comprehensive School Safety Plan School sites will put together their Safety Team to begin work on the Comprehensive School Safety Plan for the upcoming school year 	 schoolsafetypl... COMPREHENSIVE SCHOOL SAFETY PLAN
August - January	<ul style="list-style-type: none"> School site Safety Team will reconvene to continue their work on the Comprehensive School Safety Plan The Team will gather all of the appropriate data needed for the plan (i.e. attendance, behavior, suspensions, expulsions, etc.) 	Aeries (VVOHSD SIS) A2A (Attendance) SHAPE (Behavior)
DEADLINE: January 31st	<ul style="list-style-type: none"> Submit the Comprehensive School Safety Plan to Student Services for review (prior to School Site Council approval) by January 31st 	
DEADLINE: February 28th	<ul style="list-style-type: none"> The Comprehensive School Safety Plan must be approved by the School Site Council following review from Student Services. (Staff, Students, and Parents/Guardians should have input) The Comprehensive School Safety Plan is due to Student Services by February 28th 	

March	<ul style="list-style-type: none"> The Comprehensive School Safety Plan will go to the Victor Valley Union High School District Board of Education for approval (All site plans will be submitted for approval at the April Board Meeting) 	
CONTINUOUS MONITORING		
August - June	<ul style="list-style-type: none"> School sites will continue to monitor safety protocols on their campus and determine if changes need to be made for the following school year. School sites will update their Comprehensive School Safety Plan for the following school year based on data, observations, and discussions surrounding the safety of staff, students, and the community on campus. Student Services will continue to monitor attendance, discipline, and behavioral (mental health) data throughout the year to prompt conversations with site administration regarding possible changes needed to the Comprehensive School Safety Plan 	Aeries (VVUHSD SIS) A2A (Attendance) SHAPE (Behavior) Panorama Data Mental Health Clinicians

2023-005 40000 – After School Education and Safety Program (Significant Deficiency, Noncompliance)

Criteria or Specific Requirements

According to the California *Education Code* Section 8483(a)(2), it is the intent of the Legislature that elementary and middle school or junior high school pupils participate in the full day of the program every day during which pupils participate, except as allowed by the early release policy. Pupil attendance records must be maintained to verify and support the program's compliance with this requirement.

Condition

While verifying attendance, discrepancies were noted between the monthly attendance summaries and the total attendance reported on the 2022-23 first semi-annual attendance report for all three sites tested. The total discrepancy across the three sites was 18,653 days overreported on the 2022-23 1st Half After School Base attendance report. Additionally, while verifying the total students served at Cobalt Institute of Math and Science and Lakeview Leadership Academy for the month of December 2022, the auditor noted discrepancies between the daily attendance counts on the sign-in/sign-out sheets and the attendance system. The total discrepancy for the month was 15 days underreported.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition.

Context

The condition identified resulted from our review of Imogene Garner Hook Junior High, Lakeview Leadership Academy, and Cobalt Institute of Math and Science Academy schools' attendance records and monthly attendance summary totals for the months of July 2022 through December 2022. The auditor selected all three school sites that operate the program for the first semi-annual reporting period dated July to December 2022. The auditor reviewed sign-in/sign-out records for the month of December 2022, monthly attendance summary and detail reports, and the 1st Half: After School Base report submitted to the California Department of Education.

Effect

As a result of our testing, the District was not compliant with California Education Code Section 8483(a)(2) for the 2022-2023 fiscal year since pupil attendance documentation was not maintained to support the total reported pupil attendance counts.

Cause

The condition identified has materialized due to lack of appropriate review procedures to ensure that attendance information has been accurately entered into the attendance system.

Repeat Finding

Yes (see prior year finding 2022-009).

Recommendation

We recommend that the District implement internal controls to ensure that the daily attendance entered into the system agrees to the sign-in/sign-out sheets and the semi-annual attendance reported agrees to the totals from the monthly summary sheets. An individual from the District should review and re-compute monthly attendance numbers per school site to verify that accurate information is being sent to the State for reporting.

Corrective Action Plan and Views of Responsible Officials

The District has implemented the following timeline to ensure compliance with monitoring the ASES programs at Cobalt Institute of Math and Science, Hook Junior High, and Lakeview Learning Academy:

WHEN	WHAT
February	<ul style="list-style-type: none"> Meet with AYA to discuss attendance concerns Review attendance expectation, policies, and procedures Schedule Bi-monthly meetings to discuss concerns and attendance reporting
March	<ul style="list-style-type: none"> Meet with AYA to review sign-in/sign-out records and monthly summary report
June	<ul style="list-style-type: none"> Meet with AYA to discuss attendance concerns Review attendance expectations, policies, and procedures Meet with site principals to discuss ASES goals
September	<ul style="list-style-type: none"> Meet with AYA to discuss attendance concerns Review attendance policies and procedures
December	<ul style="list-style-type: none"> Meet with AYA to discuss attendance concerns Review attendance policies and procedures Meet with site principals to discuss ASES goals progress
CONTINUOUS MONITORING	
	<ul style="list-style-type: none"> Continues communication with AYA regarding concerns Attendance Summaries submitted monthly Quarterly meetings with AYA Continuous communication with site Principals regarding ASES goals

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statements Findings

**2022-001 30000 – Internal Control over Financial Reporting and Preparation of Financial Statements
(Material Weakness)**

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District's financial statements. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During the course of our engagement, we identified certain material misstatements of balances within the District's 2021-2022 unaudited actuals financial report. Through review of supporting records, we noted that the District's beginning net position of the governmental activities and beginning fund balance of the General Fund were understated as a result of overstatement of accounts payable of \$2,495,849. This misstatement was caused by an error, which has been detailed in Note 18. In addition, we also noted that the ending net position and ending fund balance in the General Fund were overstated as a result of understated accounts payable of \$7,238,994. This misstatement was caused by errors related to accrual of health and welfare benefits expenditures and Local Control Funding Formula revenue. The identification of the material misstatements, as well as various passed adjustments indicates a material weakness in the preparation of the financial statements.

Cause

The cause of the condition identified appears to be due to inadequate internal control processes related to the preparation of the District's year-end financial statements, which includes the related conversion entries in preparation of the government-wide financial statements.

Effect

Due to the condition identified, the District's prior period ending net position and the prior period ending fund balance of the General Fund were understated by \$2,495,849. In addition, the ending net position and governmental fund balances were overstated by \$7,238,994. The net effect of these errors resulted in misstatements that were not detected or prevented by the District's internal accounting control and review process.

Questioned Costs

There were no questioned costs associated with this condition.

Context

The condition was identified through review of available District records related to the financial account balances in the Governmental Funds.

Recommendation

A thorough review of the District's financial statements, including all adjusting entries, reclassifying entries, and conversion entries should take place before the financial statements are finalized by the District's business department.

Current Status

Not implemented. See current year finding 2023-001.

Federal Awards Findings

2022-002 50000 – Education Stabilization Fund: Time Certifications (Significant Deficiency in Internal Control, Noncompliance)

Federal Program Affected

Program Name: COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund
Assistance Listing Number: 84.425D

Pass-Through Entity: California Department of Education (CDE)

Federal Agency: U.S. Department of Education

Criteria or Specific Requirements

The Uniform Guidance 2 CFR § 200.430(i)(1)(viii) states that budget estimates alone may not be used to allocate compensation charges to Federal awards. When using budget estimates for interim accounting purposes, entities must also establish internal controls to identify significant changes in corresponding work activities and review and adjust after-the-fact interim charges to reflect accurate, allowable, and properly allocated charges.

Condition

The District charged multi-funded employees based on budget estimates. There was not a system of monitoring and internal controls to identify significant changes in corresponding work activities nor to adjust budgeted charges to reflect the actual percentage of work performed for the grant.

Questioned Costs

The condition identified above resulted in \$991 of questioned costs in the sample of employee compensation charges tested during the audit, including estimated costs of statutory benefits. The full questioned costs are unknown, as the District does not currently have a process to identify differences from budgeted time allocations to the actual time reflected on approved employee time certifications.

Context

The condition was identified during the auditor's federal program testing of the District's compensation charges. The sampling included 11 compensation charges, two of which were for multi-funded employees. Both multi-funded employees in the sample were charged based on budgeted time and not adjusted after-the-fact to reflect the actual time reflected on the approved time certifications.

Effect

The District is not in compliance with Uniform Guidance 2 CFR § 200.430(i)(1)(viii) for compensation charges related to multi-funded employee time certifications.

Cause

The condition identified appears to be due to lack of sufficient internal controls to monitor and adjust after-the-fact employee budgeted time to actual time reflected on approved employee time certifications.

Recommendation

It is recommended that the District implement internal controls to ensure that employee time certifications are completed timely, employee time certifications are monitored for significant changes in corresponding work activities, and processes are in place to review after-the-fact interim charges based on budget estimates against the actual time reflected on approved employee time certifications and make necessary adjustments to the charges.

Current Status

Implemented.

2022-003 50000 – Emergency Connectivity Fund Program: Equipment and Special Tests (Material Weakness in Internal Control, Noncompliance)

Federal Program Affected

Program Name: COVID-19: Emergency Connectivity Fund (ECF) Program

Assistance Listing Number: 32.009

Pass-Through Entity: N/A – Direct Award

Federal Agency: Federal Communications Commission

Criteria or Specific Requirements

In accordance with Federal Communications Commission (FCC) Report and Order 21-58 paragraphs 116-118, COVID-19 Emergency Connectivity Fund (ECF) Program participants are required to maintain asset and service inventories of the devices and services purchased with ECF Program support. Asset inventories are required to contain the following elements: (a) device type, (b) device make/model, (c) equipment serial number, (d) the name of the person to whom the device was provided, and (e) the dates the device was loaned out and returned to the school.

In accordance with FCC Report and Order 21-58 paragraph 5, ECF Program support shall be used by schools to meet the otherwise unmet connectivity needs of students and school staff during the COVID-19 pandemic. In accordance with FCC Report and Order 21-58 paragraph 54, ECF Program support shall not be used to fund more than one connected device and more than one Wi-Fi hotspot per students or school staff member during the COVID-19 emergency period.

Condition

The District did not maintain adequate asset inventories for devices purchased using ECF support, as inventory records do not contain all of the aforementioned required elements.

The District was not able to substantiate unmet need for all devices for which reimbursement was requested.

Questioned Costs

The condition identified resulted in \$638,750 of questioned costs due to insufficient inventory records for 2,000 devices and lack of demonstrating unmet need for 1,648 devices.

Context

The condition was identified through inquiries with District management and review of program records. For equipment inventory, the sample included 60 transactions, and it was noted that all 60 did not contain the required element of dates that equipment was loaned out and returned. For special tests for unmet need, the sample included 60 transactions, and it was noted that 48 of the 60 were not able to demonstrate unmet need, as the devices had not been provided to students. We noted that of the population of 2,000 devices, all 2,000 were lacking sufficient data in the equipment inventory records, and 1,648 were not able to demonstrate unmet need.

Effect

The District is not in compliance with the Equipment or Restricted Purpose Special Tests for the ECF Program. The District does not have adequate internal controls over compliance in place to ensure compliance with program requirements.

Cause

The condition identified appears to be due to lack of sufficient internal controls to ensure that program requirements are met.

Recommendation

The District should ensure that program requirements are reviewed and adequate controls over compliance are in place prior to commencing program activities under new federal programs.

Current Status

Implemented.

2022-004 50000 – Emergency Connectivity Fund Program: Procurement (Significant Deficiency in Internal Control)**Federal Program Affected**

Program Name: COVID-19: Emergency Connectivity Fund (ECF) Program

Assistance Listing Number: 32.009

Pass-Through Entity: N/A – Direct Award

Federal Agency: Federal Communications Commission

Criteria or Specific Requirements

In accordance with 2 CFR §200.214 of the Uniform Guidance, non-Federal entities must verify that vendors are not suspended or debarred prior to entering into covered transactions.

Condition

The District did not maintain documentation to demonstrate that they verified whether a vendor was suspended or debarred prior to entering into a covered transaction.

Questioned Costs

There were no questioned costs identified as a result of the condition identified above.

Context

The condition was identified through inquiries with District management and review of program records. The sample included the one item that was noted in the population.

Effect

The District does not have adequate internal controls over compliance in place to ensure compliance with program requirements.

Cause

The condition identified appears to be due to lack of sufficient internal controls to ensure that program requirements are met.

Recommendation

The District should ensure that program requirements are reviewed and adequate controls over compliance are in place prior to commencing program activities under new federal programs.

Current Status

Implemented.

State Compliance Findings

2022-005 10000 and 40000 – Independent Study and Attendance (Material Weakness)

Criteria or Specific Requirements

California *Education Code* Section 51747(g) states that pupils enrolled in independent study must have a written learning agreement with certain required elements. California *Education Code* Section 51747(g) states that written learning agreements must be signed prior to the commencement of independent study. California Code of Regulations Title 5 Section 11703(b)(3) requires school districts to maintain representative work samples for each pupil enrolled in independent study.

Condition

The District maintains two school sites for independent study: one traditional independent study school and one virtual independent study school. At the traditional independent study school, not all pupils have written learning agreements on file. Additionally, some pupils' written learning agreements do not have the required signatures. Certain pupils' files are also lacking representative work samples and/or records to support the average daily attendance (ADA) earned. At the virtual independent study school, no written learning agreements were completed.

Questioned Costs

Questioned costs associated with this condition resulted in a net decrease of \$4,339,773 in Local Control Funding Formula. The estimated penalty was calculated using the CDE's Audit Penalty Calculator.

Context

The condition was identified through a review of a sample of 25 independent study pupils at each of the two independent study schools. For the virtual school, the District reported 250.40 ADA at Second Period and 239.68 ADA at Annual. As no written learning agreements were obtained for any pupils at the virtual school, all ADA generated at this site has been disallowed.

For the traditional school, the District reported 138.07 ADA at Second Period and 155.17 ADA at Annual Period. In the sample of 25 students, records for 12 pupils were found to be out of compliance. Of the 256 total days apportioned in the sample of students, 137 days were not eligible for apportionment, resulting in an error rate of 53.52%. As a result of the conditions identified, the following ADA as of Second Period has been disallowed:

	7-8 Grade	9-12 Grade	Total
ADA Disallowed (Virtual School)	64.39	186.01	250.40
ADA Disallowed (Traditional School)	9.94	63.95	73.89
Total ADA Disallowed	74.33	249.96	324.29
Estimated Penalty	\$868,199	\$3,471,574	\$4,339,773

Effect

It appears that the District failed to accurately obtain written learning agreements at the virtual independent study school. It also appears that the District failed to obtain and maintain accurate records for pupils at the traditional independent study school, including written agreements, work samples, and records to substantiate ADA earned.

Cause

The condition identified related to the virtual school has materialized due to management's belief that the school was not required to be operated under independent study rules. The condition identified related to the traditional school has materialized due to lack of appropriate controls to ensure that required documentation is obtained and maintained for all pupils enrolled in independent study.

Recommendation

The District should ensure that management obtains the training and information necessary to ensure that school sites are operated under the applicable sections of the California Education Code. The District should appoint a responsible member or members of management to monitor independent study requirements and ensure that the District is compliant.

Current Status

Not implemented. See current year finding 2023-003.

2022-006 10000 and 40000 – Continuation Education and Attendance (Material Weakness)

Criteria or Specific Requirements

California *Education Code* Section 46300(a) states that in computing average daily attendance (ADA) of a school district or county office of education, there shall be included the attendance of pupils while engaged in educational activities required of those pupils and under the immediate supervision and control of an employee of the district or county office who possessed a valid certification document, registered as required by law.

Condition

The Continuation ADA submitted in the Second Period and Annual Attendance Reports was inaccurate. It appears that the District inaccurately entered the daily bell schedules for the continuation school into the attendance system. This resulted in additional minutes claimed for days with shortened day and minimum day schedules.

Questioned Costs

The condition identified above resulted in a reduction of 0.34 ADA generated through continuation education. Questioned costs associated with this condition resulted in a net decrease of \$4,722 in Local Control Funding Formula (LCFF). The estimated penalty was calculated using the CDE's Audit Penalty Calculator.

Context

The condition was identified through a review of a sample of continuation pupils to verify that attendance was not credited for more than the scheduled class time.

Effect

The District failed to accurately report continuation ADA on the Second Period and Annual Attendance Reports due to the inaccurate bell schedules in the system, resulting in 0.34 ADA overreported on the Second Period Attendance Report.

Cause

The condition identified has materialized due to lack of appropriate review procedures to ensure that daily bell schedules have been accurately entered into the attendance system.

Recommendation

The District should ensure that the daily bell schedules are properly entered into the attendance system. Additionally, the District should appoint a responsible member of management to ensure that this requirement is met.

Current Status

Implemented.

2022-007 40000 – Unduplicated Local Control Funding Formula Pupil Counts (Material Weakness)**Criteria or Specific Requirements**

California *Education Code* Section 42238.02(b)(4) states that the school districts should revise their submitted data on English learner, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education (CDE) was inaccurate. It appears that the District inaccurately reported the eligibility status for certain pupils for Free or Reduced-Price Meals (FRPM) and certain pupils for English Learners' (EL) designation on CALPADS Form 1.18 – FRPM/English Learner/Foster Youth – Student List.

Questioned Costs

The questioned costs associated with this condition resulted in a net decrease of \$1,328,120 in Local Control Funding Formula. The estimated penalty was calculated using the CDE's Audit Penalty Calculator.

Context

The condition was identified through a review of requested supporting documents for a sample of students' FRPM and/or EL status. The District did not maintain supporting documentation for five of the 25 students categorized as Free/Reduced and selected from the pupils in the FRPM category on the CALPADS Form 1.18. The auditor projected this error rate to the total population and determined a projected error of 569 pupils for FRPM status. The District did not accurately classify two of the 13 students categorized as EL and selected from the pupils in both the FRPM and EL category on the CALPADS Form 1.18. The auditor projected this error rate to the total population and determined a projected error of 72 pupils for both FRPM and EL status. This resulted in a total projected error of 641 students on the CALPADS Form 1.18.

Effect

As a result of our testing, it appears that the District failed to properly complete the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. The results of our testing have been documented as follows:

Certified Total Enrollment Count	Certified Total Unduplicated Count	Adjustment to Total Enrollment Count	Adjustment Based on Eligibility for FRPM	Adjustment Based on Eligibility for FRPM and EL	Adjusted Total Enrollment	Adjusted Total Unduplicated Pupil Count
11,202	9,652	0	(569)	(72)	11,202	9,011

Cause

The condition identified, related to FRPM, has materialized due to lack of appropriate record retention. In addition, the condition identified, related to EL designation, has materialized due to unspecified error.

Recommendation

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received and that document retention policies are adhered to.

Current Status

Implemented.

2022-008 70000 – Instructional Materials

Criteria or Specific Requirements

Pursuant to *California Education Code* Section 60119, the District is required to hold a public hearing regarding the sufficiency of textbooks or other instructional materials on or before the end of the eighth week from the first day pupils attended school for that year.

Condition

The District held the public hearing on the sufficiency of instructional materials on October 7th, 2021, which was not within the first eight weeks of the start of school.

Questioned Costs

There were no questioned costs associated with this condition.

Context

The condition was identified through inquiry with District personnel and through the review of available District records.

Effect

The District was not in compliance with California Education Code Section 60119.

Cause

No specific cause was identified other than oversight.

Recommendation

The District should make every effort to hold the public hearing before the end of the eighth week after the start of school. The District should designate a management employee with the responsibility for making sure the public hearing is identified on the board agenda before the eight weeks have passed.

Current Status

Implemented.

2022-009 40000 – After School Education and Safety Program

Criteria or Specific Requirements

According to the California *Education Code* Section 8483(a)(2), it is the intent of the Legislature that elementary and middle school or junior high school pupils participate in the full day of the program every day during which pupils participate, except as allowed by the early release policy. Pupil attendance records must be maintained to verify and support the program's compliance with this requirement.

Condition

While verifying the total students served at Imogene Garner Hook Junior High School for the month of December 2021, the auditor noted discrepancies between the daily attendance counts on the sign-in/sign-out sheets and the attendance system. The total discrepancy for the month was one day which consisted of offsetting differences from various days during the month tested.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition.

Context

The condition identified resulted from our review of Imogene Garner Hook Junior High, Lakeview Leadership Academy, and Cobalt Institute of Math and Science Academy schools' attendance records and monthly attendance summary totals for the month of December 2021. The auditor selected all three school sites that operate the program for the first semi-annual reporting period dated July to December 2021. The auditor reviewed sign-in/sign-out records for the month of December 2021, monthly attendance summary and detail reports, and the 1st Half: After School Base report submitted to the California Department of Education.

Effect

As a result of our testing, the District was not compliant with California *Education Code* Section 8483(a)(2) for the 2021-2022 fiscal year since pupil attendance documentation was not maintained to support the total reported pupil attendance counts.

Cause

The condition identified has materialized due to lack of appropriate review procedures to ensure that attendance information has been accurately entered into the attendance system.

Recommendation

We recommend that the District implement internal controls to ensure that the daily attendance entered into the system agrees to the sign-in/sign-out sheets. An individual from the District should review and re-compute monthly attendance numbers per school site to verify that accurate information is being sent to the State for reporting.

Current Status

Not implemented. See current year finding 2023-005.



Management
Victor Valley Union High School District
Victorville, California

In planning and performing our audit of the financial statements of Victor Valley Union High School District (the District) for the year ended June 30, 2023, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated February 1, 2024, on the government-wide financial statements of the District.

Associated Student Body (ASB)

Cobalt Institute of Math and Science

Observation

Based on the review of the cash receipting procedures, it was noted that for all nine deposits tested, the cash counts/deposits were not reviewed or signed by a second individual.

Recommendation

The ASB should implement internal controls that include dual counting of cash collections for deposit as well as controls to ensure that any discrepancies are resolved in a timely manner.

Observation

Based on the review of the cash receipting procedures, it was noted that five of the nine deposits tested were not deposited in a timely manner. The delay in deposits ranged from approximately 10 to 20 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

Observation

Based on the review of the cash disbursement procedures, it was noted that for 11 of 25 sampled disbursements did not have a purchase request form, one of 25 did not have receiving documentation, 19 of 25 were not preapproved by the student body, and 25 of 25 did not have all three required signatures of approval in accordance with *Education Code* Section 48933(b). The lack of appropriate controls over ASB disbursements can lead to spending in excess of available funds, expenditures of a questionable nature arising, vendors being paid without confirmation that goods have been received, and violations of California *Education Code*.

Recommendation

The District should review the Fiscal Crisis and Management Assistance Team (FCMAT) ASB Manual and provide adequate training to individuals involved in ASBs. The District should ensure that a purchase request form is prepared for all purchases, that all ASB purchases are pre-approved by the student body as evidenced in meeting minutes, that invoices are not paid without appropriate receiving documentation, and that all three required signatures (representative of the student body, authorized school official, and club advisor) are obtained for all disbursements.

Silverado High School

Observation

Based on the review of the cash receipting procedures, it was noted that for all seven deposits tested, the cash counts/deposits were not reviewed or signed by a second individual.

Recommendation

The ASB should implement internal controls that include dual counting of cash collections for deposit as well as controls to ensure that any discrepancies are resolved in a timely manner.

We will review the status of the current year comments during our next audit engagement.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
February 1, 2024